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SECURIT 14047097 ON

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

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

SEC FILE NUMBER
8- 49765

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: Aethlon Capital, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

225 South Sixth Street, Suite 1790

(No. and Street)

Minneapolis

(City)

MN

(State)

55402

(Zip Code)

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

Sima Griffith

(612) 338-0934

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Baker Tilly Virchow Krause, LLP

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

225 South Sixth Street, Suite 2300

(Address)

Minneapolis

(City)

MN

(State)

55402

(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)

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3/20/14

OATH OR AFFIRMATION

I, Sima Griffith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Aethlon Capital, LLC, as of December 31, 2013, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Sima Griffith
Signature
Managing Principal
Title

Jeannie Marie Maier
Notary Public



This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of OPERATIONS
- (d) Statement of CASH FLOWS
- (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).

AETHLON CAPITAL, LLC
Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012



BAKER TILLY

Candor. Insight. Results.

AETHLON CAPITAL, LLC

Minneapolis, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2013 and 2012

AETHLON CAPITAL, LLC

TABLE OF CONTENTS

As of and for the Years Ended December 31, 2013 and 2012

Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Condition	3
Statements of Operations	4
Statements of Member's Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 10
Supplementary Information	
Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1 of the Securities and Exchange Commission	11
Report on Internal Control Required by SEC Rule 17a-5(g)(1) for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3	12 - 13

INDEPENDENT AUDITORS' REPORT

Sole Member
Aethlon Capital, LLC
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Aethlon Capital, LLC(the "Company"), which comprise the statements of financial condition as of December 31, 2013 and 2012, and the related statements of operations, member's equity, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 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 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 Aethlon Capital, LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on page 11 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 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Baker Tilly Michaux Kruse, LLP

Minneapolis, Minnesota
February 25, 2014

AETHLON CAPITAL, LLC

STATEMENTS OF FINANCIAL CONDITION As of December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 7,678	\$ -
MARKETABLE SECURITIES	133,926	93,260
COMMISSIONS RECEIVABLE	12,705	-
PREPAID EXPENSES	1,206	1,283
PROPERTY AND EQUIPMENT, NET	1,590	-
TRADEMARK	<u>650</u>	<u>650</u>
TOTAL ASSETS	<u>\$ 157,755</u>	<u>\$ 95,193</u>
LIABILITIES AND MEMBER'S EQUITY		
CHECKS WRITTEN IN EXCESS OF CASH IN BANK	\$ -	\$ 293
LINE OF CREDIT - BANK	68,815	4,990
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12,668	2,795
TENANT ALLOWANCE	<u>1,590</u>	<u>-</u>
TOTAL LIABILITIES	83,073	8,078
MEMBER'S EQUITY	<u>74,682</u>	<u>87,115</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	<u>\$ 157,755</u>	<u>\$ 95,193</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF OPERATIONS For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
REVENUES	\$ 104,858	\$ 238,812
EXPENSES		
Salaries and commissions	34,297	20,484
Payroll taxes and other employee benefits	8,726	7,451
Occupancy costs	42,893	60,864
Other administrative expenses	<u>66,524</u>	<u>109,655</u>
Total expenses	<u>152,440</u>	<u>198,454</u>
OPERATING INCOME (LOSS)	<u>(47,582)</u>	<u>40,358</u>
OTHER INCOME (EXPENSE)		
Other income, net of interest expense	4,483	2,500
Unrealized gain (loss) on marketable securities	<u>40,666</u>	<u>(4,410)</u>
Other income (expense)	<u>45,149</u>	<u>(1,910)</u>
NET INCOME (LOSS)	<u>\$ (2,433)</u>	<u>\$ 38,448</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF MEMBER'S EQUITY For the Years Ended December 31, 2013 and 2012

BALANCE, December 31, 2011	\$	123,817
2012 net income		38,448
Member distributions		<u>(75,150)</u>
BALANCE, December 31, 2012		87,115
2013 net loss		(2,433)
Member distributions		<u>(10,000)</u>
BALANCE, December 31, 2013	\$	<u>74,682</u>

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (2,433)	\$ 38,448
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation and amortization	159	1,975
Unrealized loss (gain) on marketable securities	(40,666)	4,410
Changes in operating assets and liabilities:		
Commissions receivable	(12,705)	72,000
Other receivable	-	1,275
Prepaid expenses	77	100
Accounts payable and accrued expenses	9,873	(36,222)
Tenant allowance	<u>1,590</u>	<u>-</u>
Net Cash Flows from Operating Activities	<u>(44,105)</u>	<u>81,986</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(1,749)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in checks written in excess of cash in bank	(293)	293
Net advances (payments) on line of credit - bank	63,825	(8,056)
Distributions to member	<u>(10,000)</u>	<u>(75,150)</u>
Net Cash Flows from Financing Activities	<u>53,532</u>	<u>(82,913)</u>
Net Change in Cash and Cash Equivalents	7,678	(927)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>927</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 7,678</u>	<u>\$ -</u>
Supplemental cash flow disclosures		
Cash paid for interest	\$ 2,017	\$ 186

See accompanying notes to financial statements.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

NOTE 1 - Summary of Significant Accounting Policies

Nature of Business

Aethlon Capital, LLC (the Company) was formed in October 1996 as a limited liability company under Chapter 322B of the Minnesota statutes. The Company will continue until October 30, 2026 unless terminated prior to that time.

The Company is a licensed securities broker-dealer and specializes in providing investment banking services for public and private emerging growth companies. Services provided include private placement of equity or debt and general corporate finance advisory services.

The Company is a member of the Securities Investors Protection Corporation (SIPC) and Financial Industry Regulatory Authority (FINRA).

Cash and Cash Equivalents

The Company considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash balances in excess of Federal Deposit Insurance Corporation (FDIC) and similar insurance coverages are subject to the usual banking risks associated with funds in excess of those limits.

Marketable Securities

Marketable securities consist of publicly traded common stock and are classified as trading securities. Trading securities are reported at fair market value with all unrealized gains (losses) included in other income on the statements of operations.

<u>Marketable securities</u>	<u>Aggregate fair value</u>	<u>Cost</u>	<u>Gross unrealized gains</u>
December 31, 2013	\$ 133,926	\$ 87,749	\$ 46,177
December 31, 2012	\$ 93,260	\$ 87,749	\$ 5,511

Commissions Receivable

Commissions receivable are unsecured and do not accrue interest. No allowance for doubtful accounts was considered necessary as of December 31, 2013.

Property and Equipment, Net

Property and equipment consists of computer equipment, furniture and software and are recorded at cost and being depreciated using the straight-line method over estimated useful lives of 3 to 7 years. Repairs and maintenance costs are expensed as incurred.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Revenue Recognition

The Company's revenues are derived from consulting fees and commissions from private placements. Consulting fees are nonrefundable deposits received during the initial stages of a private placement. Consulting fees may be deductible against the total commissions to be received upon the closing of a placement. Consulting fees are recognized upon receipt. Commission revenue is recognized at the time of the placement's closing.

Income Taxes

The Company is a single member limited liability company classified as a "disregarded entity" for income tax purposes. Accordingly, these financial statements do not include any provision or liability for income taxes since the income and expenses are reported on the individual income tax returns of the sole member and the applicable income taxes, if any, are paid by the member.

With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for the years before 2010. The Company is not currently under examination by any taxing jurisdiction. In the event of any future tax assessments, the Company has elected to record the income taxes and any related interest and penalties as income tax expense on the Company's statements of operations.

Management's 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis. As of December 31, 2013 and 2012, the Company had net capital of \$25,615 and \$62,401 which was \$20,073 and \$57,401 in excess its required net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness. The Company's net capital ratio was 3.25 to 1 and .13 to 1 as of December 31, 2013 and 2012.

No material differences exist between the net capital calculated above and the net capital computed and reported in the Company's amended December 31, 2013 FOCUS filing. Per Rule 15c3-3 of the Securities and Exchange Commission Uniform Net Capital Rule, the Company is exempt under the (k)(2)(i) exemption.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2013 and 2012

NOTE 3 - Fair Value of Financial Instruments

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. In determining fair value, the Company values and records all investment securities transactions on a trade date basis. Securities listed on a national or regional securities exchange are valued at their last reported sales price on the last business day of the period. Securities which are not traded on a major exchange or for which no sale was reported on that date are valued at the average of their last quoted "bid" price and "asked" price. Short positions are valued at the last quoted "asked" price. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Company attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs. Based on the observability of the inputs used in the valuation methods the Company determines fair value based on quoted market prices in active markets for identical assets and liabilities.

NOTE 4 - Property and Equipment, Net

Property and equipment consisted of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Equipment and Furniture	\$ 46,314	\$ 46,315
Leasehold Improvements	1,749	-
Less Accumulated Depreciation	<u>(46,473)</u>	<u>(46,315)</u>
	<u>\$ 1,590</u>	<u>\$ -</u>

Depreciation expense was \$159 and \$1,975 for the years ended December 31, 2013 and 2012.

NOTE 5 - Significant Customers

Two customers accounted for 72% and 12% of total revenues for the year ended December 31, 2013. Four customers accounted for 32%, 29%, 20%, and 17% of total revenues for the year ended December 31, 2012.

One customer accounted for 100% of accounts receivable as of December 31, 2013.

NOTE 6 - Line of Credit - Bank

In November 2010, the Company signed a \$90,000 line of credit agreement with a bank. The line of credit is due on demand, matures in November 2014 and is collateralized by the general business assets of the Company and guaranteed by the sole member. Interest is payable monthly at the prime rate plus 2.5%, but never less than 6.0% (6.00% as of December 31, 2013 and 2012). There was \$68,815 and \$4,990 outstanding on the line of credit as of December 31, 2013 and 2012.

AETHLON CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended December 31, 2013 and 2012

NOTE 7 - Operating Leases

In 2013, the Company entered into a noncancelable operating lease for office space. The lease expires December 2018 and requires monthly base rents increasing from \$2,140 to \$2,482 over the term of the lease. In addition, the Company is required to pay its pro rata share of the building's property taxes and operating expenses.

The Company also leases a vehicle under a lease that expires February 2015. The monthly lease payment is \$550. Total rent for all leases, including operating expenses, was approximately \$43,800 and \$63,200 for the years ended December 31, 2013 and 2012.

Future minimum rental commitments are as follows for the years ending December 31:

2014	\$	32,786
2015		27,766
2016		28,242
2017		29,268
2018		<u>29,784</u>
	\$	<u>147,846</u>

NOTE 8 - Subsequent Events

The Company has evaluated subsequent events occurring through February 25, 2014, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Company's financial statements.

SUPPLEMENTARY INFORMATION

AETHLON CAPITAL, LLC

COMPUTATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION As of December 31, 2013

COMPUTATION OF NET CAPITAL

Member's equity		\$	74,682
Deductions and/or charges:			
Non-allowable assets:			
Commissions receivable	\$	12,705	
Prepaid expenses		1,206	
Property and Equipment, net		1,590	
Trademark		<u>650</u>	<u>16,151</u>
Net capital before haircuts on securities positions			58,531
Haircuts on securities positions			<u>32,916</u>
Net capital		\$	<u>25,615</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities from statement of financial condition	\$	<u>83,073</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital requirement	\$	<u>5,542</u>
Excess net capital at 1,500 percent	\$	<u>20,073</u>
Excess net capital at 1,000 percent	\$	<u>17,302</u>
Ratio: Aggregate indebtedness to net capital		<u>3.25 to 1</u>

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

Sole Member
Aethlon Capital, LLC
Minneapolis, Minnesota

In planning and performing our audit of the financial statements of Aethlon Capital, 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 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 internal 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 or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

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

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

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. However, we identified a certain deficiency in internal control that we consider to be a significant deficiency. There is a lack of segregation of duties in the accounting department. Additionally, there are no controls in place to compensate for the lack of segregation of duties. Without appropriate segregation of duties, or compensating controls within the accounting department, it is possible the Company may not be able to successfully prevent an error or misstatement from occurring. We communicated this in writing to management and the sole member on February 25, 2014.

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

This report is intended solely for the information and use of the sole member, management, the SEC, and other regulatory agencies which 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.

Baker Tilly Victor Krause, LLP

Minneapolis, Minnesota
February 25, 2014

