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

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

SEC
Mail Processing
Section
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SEC FILE NUMBER
8-16831

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5(b) hereunder

Washington DC
405

REPORT FOR THE PERIOD BEGINNING 1/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: JACKSON & SMITH INVESTMENT SECURITIES, LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
275 WEST MAIN AVENUE

OFFICIAL USE ONLY
FIRM I.D. NO.

GASTONIA NORTH CAROLINA (NC) 28052
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DAVID SMITH 704-865-9546
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
RIVES & ASSOCIATES, LLP

1023 WEST MOREHEAD ST. SUITE 100, CHARLOTTE, NC 28208
(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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*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)

3/24

OATH OR AFFIRMATION

I, Patriek H. Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JACKSON & SMITH INVESTMENT SECURITIES, 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:

State of North Carolina
County of Gaston

Date: 8-26-2014
Notary: [Signature]
Commission Exp. 10-20-17
Notary Public

[Signature]
Signature
Member-Manager
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.

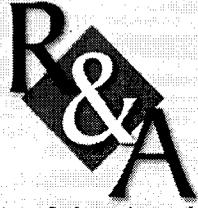
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**JACKSON & SMITH INVESTMENT
SECURITIES, LLC**

Financial Statements and
Supplementary Information
Year Ended December 31, 2013

JACKSON & SMITH INVESTMENT SECURITIES, LLC
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Independent Auditors' Report

To the Members
Jackson & Smith Investment Securities, LLC
Gastonia, North Carolina

Report on the Financial Statements

We have audited the accompanying statement of financial condition of Jackson & Smith Investment Securities, LLC (the "Company") as of December 31, 2013, and the related statements of comprehensive income, changes in members' 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 the 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 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 principles used and the reasonableness of significant 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 above present fairly, in all material respects, the financial position of Jackson & Smith Investment Securities, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year ended December 31, 2013 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 basic financial statements as a whole. The supplementary information contained in page 12 is presented for 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 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Rives & Associates LLP

Charlotte, North Carolina
February 20, 2014

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Statement of Financial Condition
December 31, 2013

ASSETS

Current assets:	
Cash and cash equivalents	\$ 19,315
Cash deposited with clearing agent	15,000
Commissions receivable	6,386
Dividends receivable	4,821
Marketable securities	462,521
Prepaid expenses	<u>1,101</u>
Total current assets	<u>509,144</u>
Property and equipment:	
Office furniture and equipment	120,077
Leasehold improvements	<u>8,128</u>
	128,205
Accumulated depreciation	<u>(126,719)</u>
	<u>1,486</u>
Total assets	<u><u>\$ 510,630</u></u>

LIABILITIES AND MEMBERS' EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 2,461
Notes payable - related party	<u>40,000</u>
Total current liabilities	<u>42,461</u>
Members' equity:	
Members' capital accounts	54,070
Accumulated other comprehensive income	<u>414,099</u>
Total members' equity	<u>468,169</u>
Total liabilities and members' equity	<u><u>\$ 510,630</u></u>

The accompanying notes are an integral part of these financial statements

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Statement of Comprehensive Income
Year Ended December 31, 2013

Revenue:	
Commissions	<u>\$ 95,482</u>
Expenses:	
Advertising	710
Depreciation	1,769
Dues	4,260
Employee compensation	83,400
Insurance	10,902
Occupancy	7,500
Office expense	2,346
Professional fees	7,050
Taxes	1,966
Utilities	7,241
Vehicle expense	5,842
Total expenses	<u>132,986</u>
Operating loss	<u>(37,504)</u>
Other income (expense):	
Dividend income	24,278
Interest expense	(800)
Loss on disposal of assets	(5,518)
Gain on sale of marketable securities	8,108
Total other income	<u>26,068</u>
Net loss	<u>(11,436)</u>
Other comprehensive income (loss):	
Unrealized gain on investments	12,213
Reclassification adjustment	(711)
Other comprehensive income	<u>11,502</u>
Comprehensive income	<u><u>\$ 66</u></u>

The accompanying notes are an integral part of these financial statements

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Statement of Changes in Members' Equity
Year Ended December 31, 2013

	Accumulated Other Comprehensive Income	Members' Capital Accounts	Total Members' Equity
	<u> </u>	<u> </u>	<u> </u>
Balance, January 1, 2013	\$ 402,597	\$ 58,006	\$ 460,603
Net loss	-	(11,436)	(11,436)
Other comprehensive income	11,502	-	11,502
Capital contribution	-	7,500	7,500
Balance, December 31, 2013	<u>\$ 414,099</u>	<u>\$ 54,070</u>	<u>\$ 468,169</u>

The accompanying notes are an integral part of these financial statements

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Statement of Cash Flows
Year Ended December 31, 2013

Cash flows from operating activities:	
Net loss	\$ (11,436)
Adjustments to reconcile net loss to net cash used by operating activities:	
Noncash items included in net loss:	
Depreciation	1,769
Gain on sale of marketable securities, net	(8,108)
Loss on disposal of assets	5,518
Contributed office space	7,500
Cash flows from changes in:	
Commissions receivable	3,611
Dividends receivable	(4,821)
Prepaid expenses	(81)
Accounts payable and accrued expenses	825
Net cash used by operating activities	<u>(5,223)</u>
Cash flows from investing activities:	
Proceeds from sale of marketable securities	14,854
Purchases of marketable securities	<u>(12,465)</u>
Net cash provided by investing activities	<u>2,389</u>
Cash flows from financing activities:	
Net decrease in cash and cash equivalents	<u>(2,834)</u>
Cash and cash equivalents, beginning of year	<u>22,149</u>
Cash and cash equivalents, end of year	<u>\$ 19,315</u>
Supplemental disclosure of noncash activities:	
Capital contribution	<u>\$ 7,500</u>

The accompanying notes are an integral part of these financial statements

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Jackson & Smith Investment Securities, LLC. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is a fully disclosed firm and executes general securities transactions for customers located principally in Gaston County, North Carolina and surrounding areas. The Company uses another broker-dealer, Sterne, Agee & Leach, Inc. to clear all customer transactions.

Jackson & Smith Investment Securities, LLC. is a North Carolina Limited Liability Company. The duration of the LLC is set to expire no later than December 31, 2046. Members are not ultimately liable for any debts of the Company, losses of capital, or for the losses of profits. Transfers of members' interests are limited to certain conditions as specified in the Company's operating agreement.

Basis of Accounting

The books of the Company are maintained on the accrual basis of accounting, whereby revenues are recognized when they are earned and expenses are recognized when they are incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Cash and Cash Equivalents

For the purposes of these statements, all highly liquid investments, which are to mature in three months or less at the time of purchase, are considered to be cash equivalents.

Marketable Securities

Marketable securities are classified as available-for-sale and, accordingly, are reported at fair value with the unrealized gains or losses on these securities reported as a component of accumulated other comprehensive income in members' equity.

Commission Receivable

In the customary course of business, the Company earns commissions related to the execution of customer trades. Not all commissions are collected in the period in which they are earned. Accordingly, amounts earned but not collected are reflected as commission receivables. Management considers the need for an allowance for bad debts. In assessing the need for an allowance for bad debts management considers the nature of the receivables, past experience, current economic conditions, and other risks inherent in the receivable portfolio. Based upon these factors, management has determined there is no need for an allowance for doubtful accounts as of December 31, 2013.

Commissions

Commissions and related clearing expenses are recorded on a trade-date basis as security transactions occur.

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are capitalized while replacements, maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. At the time properties are retired or otherwise disposed of, the property and related accumulated depreciation accounts are relieved of the applicable amounts and any gain or loss is reflected in income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any asset may be impaired, an evaluation of recoverability would be performed. Depreciation is computed on straight-line method over their estimated useful lives.

Fair Value Measurements

The Company measures the fair value of its financial instruments in accordance with accounting guidance that requires an entity to base fair value on exit price and maximize the use of observable inputs and minimize the use of unobservable inputs to determine the exit price. Accounting guidance defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company categorizes its financial instruments, based on the priority of inputs to the valuation technique, into a three-level hierarchy, as described below:

- Level 1: Observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2: Observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3: Inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

Advertising Cost

Advertising costs are expensed when incurred. Advertising expense was \$710 for the year ended December 31, 2013.

Income Taxes

As a limited liability company, the Company's taxable income or loss is allocated to members in accordance with their respective ownership percentage. Therefore, no provision or liability for income taxes has been included in the financial statements.

Management has determined that the Company does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by the taxing authorities and that the Company or its members will not be subject to additional tax, penalties, and interest as a result of such challenge. The Company's and members' income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed.

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

NOTE 2 – CASH SEGREGATED AT CLEARING HOUSE

The Company is required to maintain a cash balance at Sterne Agee in the amount of \$15,000. Sterne Agee holds securities owned by the Company and is the Company's primary clearing agent.

NOTE 3 – MARKETABLE SECURITIES

Available-for-sale investments as of December 31, 2013 were as follows:

	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Common stocks	\$ 48,422	\$ 425,900	\$ (11,801)	\$ 462,521

Unrealized gains and losses on marketable securities are as follows:

Unrealized gains	\$ 425,900
Unrealized losses	(11,801)
Net accumulated unrealized gains	\$ 414,099

The Company uses the specific identification method to determine the cost of securities sold. Proceeds from sales of available-for-sale securities and the resulting realized gains (losses) during the year ended December 31, 2013 are as follows:

Proceeds from sales of marketable securities	\$ 14,854
Realized gains on sales	\$ 8,108

NOTE 4 – RELATED PARTY TRANSACTIONS

The Company entered into a promissory note with the majority member for \$40,000. The promissory note is due on demand and bears an annual interest rate of 2% with quarterly interest payments. At December 31, 2013 accrued interest totaled \$2,079.

The majority member provided, without cost to the Company, office space, valued at \$625 per month. The total value of office space for the year ended December 31, 2013 was \$7,500 and is reflected in the statement of comprehensive income as occupancy, with a corresponding capital contribution in the statement of changes in members' equity.

NOTE 5 – CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of a minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange 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 of \$335,876 which was \$235,876 in excess of its required net capital of \$100,000. The Company's net ratio was .1264 to 1.

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

NOTE 6 – FAIR VALUE MEASUREMENTS

The Company categorizes its assets and liabilities measured at fair value into a fair value hierarchy that prioritizes the assumptions used in pricing the asset or liability as disclosed in Note 1. The following table presents information about the Company’s assets measured at fair value:

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Common stocks:				
Health care	\$ 11,899	\$ -	\$ -	\$ 11,899
Oil and gas	40	-	-	40
Customer goods	4,884	-	-	4,884
Utilities	445,698	-	-	445,698
Total assets at fair value	<u>\$ 462,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,521</u>

The following is a description of the valuation methodologies used for instruments for which fair value is presented. The estimated fair value was calculated using certain facts and assumptions, which vary depending on the specific financial instrument.

Common Stock

Valued at quoted market prices in active markets, which represent the fair value of the shares held at year end.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK AND OTHER BUSINESS CONCENTRATIONS

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions, and individuals. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is management’s policy to review, as necessary, the credit standing of each counterparty.

The Company’s policy is to maintain its cash balances in reputable financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”), which as of December 31, 2013 provided \$250,000 of insurance coverage on deposit accounts. At December 31, 2013, the Company had no uninsured cash balances.

The Company invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in these financial statements.

The Company’s principal customer base consists of residents of Gaston and surrounding North Carolina counties. The limited geographic diversity of the Company’s customer base exposes it to additional business concentrations of risk.

NOTE 8 – CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The Company had no liabilities subordinated to claims of general creditors as of December 31, 2013.

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Notes to Financial Statements
December 31, 2013

NOTE 9 – DATE OF MANAGEMENT’S REVIEW

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 20, 2014, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

JACKSON & SMITH INVESTMENT SECURITIES, LLC
Computation of Net Capital
Under Rule 15c3-1 of the Securities and Exchange Commission
December 31, 2013

<u>Computation of net capital:</u>		
Total members' equity		<u>\$ 468,169</u>
Deductions and/or charges:		
Non-allowable assets:		
Property and equipment, net of accumulated depreciation		(1,486)
Prepaid expenses		<u>(1,101)</u>
		(2,587)
Other deductions and/or charges		<u>(270)</u>
		<u>(2,857)</u>
Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):		
Trading and investment securities - other		(69,555)
Undue concentration		<u>(59,881)</u>
		<u>(129,436)</u>
Net capital		<u>335,876</u>
<u>Computation of basic net capital requirement:</u>		
Minimum net capital required (6 2/3% of aggregate indebtedness)	\$ 2,828	
Minimum dollar net capital requirement of reporting broker or dealer	\$ 100,000	
Net capital requirement (greater of two amounts above)		<u>100,000</u>
Excess net capital		<u>\$ 235,876</u>
Net capital less greater of 10% of aggregate indebtedness or 120% of the minimum dollar net capital requirement of reporting broker or dealer		<u>\$ 215,876</u>
<u>Computation of aggregate indebtedness:</u>		
Total liabilities from balance sheet		<u>\$ 42,461</u>
Percentage of aggregate indebtedness to net capital		<u>12.64%</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2013):		
Net capital, as reported in Part II of the unaudited FOCUS report	\$ 335,877	
Rounding adjustment		<u>(1)</u>
Net capital, per above		<u>\$ 335,876</u>



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Independent Auditors' Report on Internal Control Under SEC Rule 17A-5(g)(1)

To the Members
Jackson & Smith Investment Securities, LLC
Gastonia, North Carolina

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

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

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

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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

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

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

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

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

This report is intended solely for the information and use of the members, management, the SEC, the 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.

River & Associates LLP

Charlotte, North Carolina
February 20, 2014