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

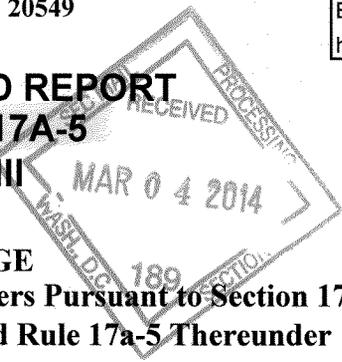
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



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 1/1/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Western International Securities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

70 South Lake Avenue 7th Floor

(No. and Street)

Pasadena

CA

91101

(City)

(State)

(Zip Code)

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

Donald M. Bizub

(626) 793-7717

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein Kass

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

9171 Wilshire Boulevard Suite 500

Beverly Hills

CA

90210

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

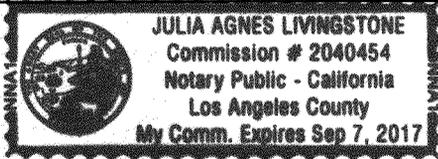
SEC 1410 (06-02)

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OATH OR AFFIRMATION

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



[Handwritten Signature]
Signature
CEO
Title

[Handwritten Signature]
Notary Public

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 Proprietor's 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).

My Comm. Expires Sep 7, 2017  
Los Angeles County  
Notary Public - California  
Commission # 2040454  
JULIA AGNES LIVINGSTONE



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# WESTERN INTERNATIONAL SECURITIES, INC.

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## **INDEPENDENT AUDITORS' REPORT**

To Western International Securities, Inc.

We have audited the accompanying statement of financial condition of Western International Securities, Inc. (the "Company") as of December 31, 2013 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the statement of financial condition 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 statement of financial condition that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the statement of financial condition 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 statement of financial condition is free of material misstatement.

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

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 statement of financial condition referred to above presents fairly, in all material respects, the financial position of **Western International Securities, Inc.** as of December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.



Beverly Hills, California  
February 28, 2014

# WESTERN INTERNATIONAL SECURITIES, INC.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2013

### ASSETS

Cash and cash equivalents	\$ 2,699,132
Commissions receivable	725,542
Due from registered representatives	353,027
Deposits at clearing brokers	421,076
Due from clearing brokers	414,455
Securities owned, at fair value	1,762,985
Property and equipment, net	134,874
Deposits and other assets	420,820
Deferred tax assets	198,074
	<u>\$ 7,129,985</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Due to clearing broker	\$ 684,783
Commissions payable	1,486,538
Accounts payable and accrued expenses	1,357,070
Securities sold short, not yet purchased, at fair value	53,475
Income taxes payable	579,081
Total liabilities	<u>4,160,947</u>

#### Stockholder's equity

Common stock, \$0.01 par value, 250,000 shares authorized, 3,000 shares issued and outstanding	30
Additional paid-in capital	927,567
Retained earnings	2,041,441
Total stockholder's equity	<u>2,969,038</u>
	<u>\$ 7,129,985</u>

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of operations and summary of significant accounting policies

#### *Nature of Operations*

Western International Securities, Inc. (the "Company") was incorporated in the state of Colorado in 1995 as a wholly-owned subsidiary of Concept Brokerage Holding Corporation (the "Parent"). The Company is a registered broker-dealer and investment advisor under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company executes and clears its securities transactions on a fully disclosed basis with clearing brokers.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

These financial statements were approved by management and available for issuance on February 28, 2014. Subsequent events have been evaluated through this date.

#### *Cash Equivalents*

For purposes of the statement of cash flows, the Company considers its investments in short-term money market funds to be cash equivalents.

#### *Valuation of Investments in Securities and Securities Sold Short at Fair Value - Definition and Hierarchy*

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Valuation of Investments in Securities and Securities Sold Short at Fair Value - Definition and Hierarchy (continued)*

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

#### *Valuation Techniques*

The Company values investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Company's valuation policies do not require that fair value always be a predetermined point in the bid-ask range. The Company's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "ask" price if sold short.

#### Municipal Bonds

The fair value of municipal bonds is estimated using recently executed transactions, market price quotations, and pricing models that factor in, where applicable, observable inputs such as interest rates, yields, and spreads. If observable inputs for a specific bond are not available, pricing models used consider inputs from similar bonds that have comparable interest rates, maturity, yields, credit risk, etc. These bonds are generally categorized in Level 1 or 2 of the fair value hierarchy.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Revenue Recognition*

Commission and principal transaction income includes commission revenue from introducing trades and markup revenue from riskless principal trades. Money management fees represent "wrap" fee account revenue charged quarterly in advance. Other income includes various fees and shared revenues associated with customer accounts, interest income, realized and unrealized gains and losses on Company proprietary trading accounts, and other items. Income from commissions on securities transactions is recorded on an accrual basis.

#### *Commissions Receivable and Payable*

Commissions receivable represents commissions earned by the Company from brokerage transactions not yet received from clearing brokers. No allowance was deemed necessary as of December 31, 2013 since the Company has determined all commissions receivable to be collectible.

Commissions payable represents commissions earned by the Company's advisors but not yet paid by the Company.

#### *Investment Transactions and Related Investment Income*

Investment transactions are accounted for on a trade date basis. Dividends are recorded on the ex-dividend date and interest is recognized on the accrual basis. Realized gains and losses from securities transactions are reported on a first-in, first-out basis.

#### *Property and Equipment*

Property and equipment, consisting of computer equipment, furniture and leasehold improvements, is stated at cost less accumulated depreciation and amortization. Betterments to property and equipment are capitalized. Repairs and maintenance costs are charged to expense as incurred. The Company provides for depreciation and amortization as follows:

Asset	Useful Life	Method
Furniture	5 years	Straight-line
Computer equipment	5 years	Straight-line
Leasehold improvements	5 years	Straight-line
Computer software	3 years	Straight-line

In accordance with GAAP, long-lived assets held and used by the Company 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 long-lived assets, such as property and equipment, may be impaired, an evaluation of recoverability is performed. As of December 31, 2013, management has determined that the Company's assets are not impaired.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Income Taxes*

The Company files a consolidated income tax return with its Parent. The accompanying financial statements provide for income taxes as if the Company filed a separate return. Income taxes are accounted for in accordance with GAAP, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

The Company is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Company recording a tax liability that reduces ending retained earnings. Based on its analysis, the Company has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2013. However, the Company's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Company files its income tax returns in the U.S. federal and various state and local jurisdictions. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for years before 2010. Any potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, state and local tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### *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 amounts disclosed in the financial statements. Actual results could differ from those estimates.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

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### 2. Concentrations of credit risk

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

Pursuant to clearing agreements, the Company introduces its securities transactions to J.P. Morgan Clearing Corporation, Pershing LLC and Wedbush Securities Inc., its clearing brokers, on a fully disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing brokers. In accordance with the clearing agreements, the Company has agreed to indemnify the clearing brokers for losses, if any, that the clearing brokers may sustain from carrying securities transactions introduced by the Company, and to maintain certain minimum balances. In accordance with industry practice and regulatory requirements, the Company and the clearing brokers monitor collateral on the customers' accounts.

From time to time, the Company will maintain cash balances in a financial institution that may exceed the Federal Deposit Insurance Corporation ("FDIC") coverage of \$250,000. The Company has not experienced any losses in such accounts and believes it is not subject to any significant credit risk on cash.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 3. Fair value measurements

The Company's assets and liabilities, recorded at fair value, have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the Company's significant accounting policies.

The following table presents information about the Company's assets and liabilities measured at fair value as of December 31, 2013:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of December 31, 2013
<b>Assets</b>				
Securities owned, at fair value				
State and municipal bond obligations				
California	\$ 247,126	\$ 16,263	\$ -	\$ 263,389
New Jersey	188,551	4,489	-	193,040
Massachusetts	144,274	-	-	144,274
Washington	101,672	20,112	-	121,784
Iowa	-	85,442	-	85,442
Colorado	43,508	38,177	-	81,685
Other	494,825	124,952	-	619,777
	<u>1,219,956</u>	<u>289,435</u>	<u>-</u>	<u>1,509,391</u>
Common stock	231,170	-	-	231,170
Corporate bond obligations	-	22,424	-	22,424
	<u>\$ 1,451,126</u>	<u>\$ 311,859</u>	<u>\$ -</u>	<u>\$ 1,762,985</u>
<b>Liabilities</b>				
Securities sold short, not yet purchased, at fair value				
Common stock	\$ 33,750	\$ -	\$ -	\$ 33,750
State and municipal bond obligations	-	19,725	-	19,725
	<u>\$ 33,750</u>	<u>\$ 19,725</u>	<u>\$ -</u>	<u>\$ 53,475</u>

Realized gains and losses are included in commission and principal transaction income in the statement of operations. The change in unrealized gains (losses) for the year ended December 31, 2013 for investments still held at December 31, 2013 is reflected in other income in the statement of operations.

### 4. Securities sold short

The Company is subject to certain inherent risks arising from its investing activities of selling securities short. The ultimate cost to the Company to acquire these securities may exceed the liability reflected in these financial statements. The Company is not exposed to this risk to the extent it holds offsetting long positions which have a fair value of approximately \$53,000 at December 31, 2013.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 5. Property and equipment

Property and equipment consist of the following as of December 31, 2013:

Computer equipment	\$	399,151
Furniture		335,723
Computer software		65,202
Leasehold improvements		29,272
		<u>829,348</u>
Less accumulated depreciation		<u>(694,474)</u>
Property and equipment, net	\$	<u>134,874</u>

Total depreciation expense for the year ended December 31, 2013 was \$72,175.

### 6. Commitments and contingencies

#### *Commitments*

The Company leases office space at its headquarters in Pasadena, California and other locations under non-cancellable operating leases expiring from 2014 to 2018. As of December 31, 2013, the Company's future minimum rental commitment is as follows:

Year Ending December 31,		
2014	\$	409,547
2015		82,767
2016		69,398
2017		71,480
2018		24,060
		<u>657,252</u>

Total rental expense for the year ended December 31, 2013 was \$834,408.

#### *Contingencies*

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the amount of any ultimate liability with respect to these actions will not materially affect the Company's financial statements or results of operations.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

### 7. Due to/from clearing brokers

Due from clearing brokers represents cash balances at the Company's clearing brokers. Certain balances at the Company's clearing brokers are restricted to comply with the Proprietary Account of Introducing Broker Agreements with the clearing brokers. Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold short.

Amounts due to broker represents obligations for unsettled trades and margin borrowings that are collateralized by the Company's securities, the fair values of which exceed the amounts borrowed. Refer to Note 2 regarding risks associated with borrowings.

### 8. Income taxes

The components of provision for income taxes for the year ended December 31, 2013 are as follows:

Current provision	
Federal	\$ 1,078,652
State	328,926
	<u>1,407,578</u>
Deferred (benefit)	
Federal	54,398
State	18,072
	<u>72,470</u>
Provision for income taxes	<u>\$ 1,480,048</u>

The following tabulation reconciles the federal and state statutory tax rate to the Company's effective rate:

	Amount	%
Federal statutory rate (approximate)	\$ 1,285,622	34.0
State statutory rate (approximate)	220,613	5.8
Meals and entertainment	57,394	1.5
Municipal interest	(42,053)	(1.1)
Provision to return adjustment	(41,528)	(1.1)
Provision for income taxes	<u>\$ 1,480,048</u>	<u>39.1</u>

The net deferred tax asset of \$198,074 is the result of timing differences between book and taxable income related mostly to depreciation, unrealized gains and losses, and state income taxes. In assessing the realizable portion of the deferred tax asset, the Company considered whether it is more likely than not that some portion or all of the deferred tax asset would be realized. The Company anticipates future taxable income, thus no valuation allowance against the net deferred tax asset has been recorded.

# WESTERN INTERNATIONAL SECURITIES, INC.

## NOTES TO FINANCIAL STATEMENT

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### **9. Net capital requirement**

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1, and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. As of December 31, 2013, the Company's net capital was approximately \$1,706,000, which was approximately \$1,483,000 in excess of its minimum requirement of approximately \$223,000.

### **10. Exemption from Rule 15c3-3**

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."

**WESTERN INTERNATIONAL SECURITIES, INC.**

**STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2013**