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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 FILE NUMBER  
8- 17737

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: Hazlett, Burt and Watson, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1300 Chapline Street

Wheeling

(No. and Street)  
WV

26003

(City)

(State)

(Zip Code)

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

Tim Bidwell, Executive Vice President

(304) 233-3312

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Dixon Hughes Goodman LLP

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

6525 Morrison Blvd, Suite 500

Charlotte

NC

28211

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

SEC  
Mail Processing  
Section

MAR 04 2014

FOR OFFICIAL USE ONLY

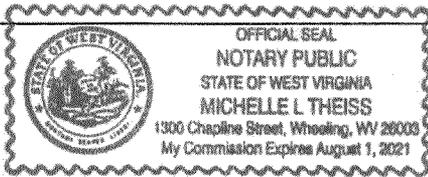
Washington, DC  
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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption.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

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OATH OR AFFIRMATION

I, Timothy M. Bidwell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hazlett, Burt & Watson, 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:



[Signature]  
Signature  
Executive Vice President  
Title

[Signature]  
Notary Public

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

- X (a) Facing Page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- X (d) Statement of Cash Flows.
- X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- X (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- X (g) Computation of Net Capital.
- X (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- X (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.
- X (l) An Oath or Affirmation.
- X (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).

**HAZLETT, BURT & WATSON, INC.**  
Wheeling, West Virginia

(S.E.C. I.D. No. 8-17737)

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**

December 31, 2013 and 2012

And

REPORT OF INDEPENDENT AUDITORS

And

SUPPLEMENTAL REPORT ON INTERNAL CONTROL

SEC  
Mail Processing  
Section

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**HAZLETT, BURT & WATSON, INC.**  
**Wheeling, West Virginia**

**FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Hazlett Burt & Watson, Inc  
Wheeling, West Virginia

We have audited the accompanying financial statements of Hazlett Burt & Watson, Inc. (the "Company"), which comprise the statements of financial condition as of December 31, 2013 and 2012, and the related statements of operations, changes in shareholder 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 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 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 Hazlett Burt & Watson, Inc. as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained on pages 15-16 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 other information directly to the underlying accounting and such 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 on pages 15-16 is fairly stated in all material respects in relation to the financial statements as a whole.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
February 27, 2014

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
**December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
	\$	\$
<b>ASSETS</b>		
Cash and cash equivalents due from financial institutions	47,280	167,738
Cash in money market fund	1,575,563	1,005,834
Total cash and cash equivalents	1,622,843	1,173,572
Interest-bearing time deposits	-	25,421
Deposits with clearing organizations	85,000	85,000
Dues from clearing firm	98,229	67,100
Firm trading account, at fair value	200,662	512,687
Firm investment account:		
Marketable, at fair value	1,612,648	1,256,660
Not readily marketable, at estimated fair value	43	101
Receivable from officers and employees	46,869	49,944
Due from affiliates	48,992	5,461
Furniture, equipment and leasehold improvements at cost, less accumulated depreciation of \$401,674 and \$398,129, respectively	98,319	76,187
Real estate and improvements at cost, less less accumulated depreciation of \$156,789 and \$136,959, respectively	237,512	199,623
Investment Advisory fees receivable	1,203,088	982,419
Other assets	100,958	68,282
	<u>\$ 5,355,163</u>	<u>\$ 4,502,356</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,283,032	\$ 868,479
<b>SHAREHOLDER EQUITY</b>		
Capital stock, \$1.6667 par value, 250,000 shares authorized;		
205,500 shares issued; 203,500 shares outstanding	339,173	339,173
Less – Treasury stock, 2,000 shares at cost	(3,333)	(3,333)
Capital in excess of par value	400,754	400,754
Retained earnings	3,335,537	2,897,283
	<u>4,072,131</u>	<u>3,633,877</u>
	<u>\$ 5,355,163</u>	<u>\$ 4,502,356</u>

See accompanying notes to financial statements.

3.

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENTS OF OPERATIONS**  
**Years ended December 31, 2013 and 2012**

<b>REVENUES</b>	<u>2013</u>	<u>2012</u>
Commissions on security transactions	\$ 1,329,280	\$ 1,573,083
Investment advisory revenues	4,462,409	3,910,134
Realized gains on firm trading and investments, net	372,044	79,891
Unrealized gains on firm trading & investments, net	355,616	131,596
Insurance and annuities	458,529	525,318
Interest and dividends	62,285	79,609
Miscellaneous fees and other income	<u>766,485</u>	<u>684,774</u>
	7,806,648	6,984,405
<b>EXPENSES</b>		
Employee compensation and benefits	2,388,825	2,379,722
Commissions	2,716,925	2,516,734
Communications and data processing	263,193	253,159
Interest	381	761
Rent and maintenance	211,092	184,931
Depreciation	38,445	33,494
Clearing and execution charges	139,863	114,548
General, administrative and other expenses	<u>459,670</u>	<u>485,826</u>
	<u>6,218,394</u>	<u>5,969,175</u>
Net Income	\$ <u>1,588,254</u>	\$ <u>1,015,230</u>
Earnings per share based upon net income	\$ <u>7.81</u>	\$ <u>4.99</u>

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See accompanying notes to financial statements

4.

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY**  
**Years ended December 31, 2013 and 2012**

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	<u>Capital Stock</u>		<u>Treasury Stock</u>		<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Dollars</u>	<u>Shares</u>	<u>Dollars</u>			
<b>Balance at January 1, 2012</b>	203,500	\$ 339,173	2,000	\$ (3,333)	\$ 400,754	\$ 2,982,053	\$ 3,718,647
Net Income						1,015,230	1,015,230
Distributions to shareholder						(1,100,000)	(1,100,000)
<b>Balance at December 31, 2012</b>	203,500	339,173	2,000	(3,333)	400,754	2,897,283	3,633,877
Net Income						1,588,254	1,588,254
Distributions to shareholder						(1,150,000)	(1,150,000)
<b>Balance at December 31, 2013</b>	<u>203,500</u>	<u>\$ 339,173</u>	<u>2,000</u>	<u>\$ (3,333)</u>	<u>\$ 400,754</u>	<u>\$ 3,335,537</u>	<u>\$ 4,072,131</u>

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See accompanying notes to financial statements.

5.

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years ended December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities	\$	\$
Net Income	1,588,254	1,015,230
Depreciation	38,445	33,494
Change in assets and liabilities		
Interest-bearing time deposits	25,421	124,630
Deposits from clearing organizations	-	10,000
Due from clearing organizations	(31,129)	64,480
Due from affiliates	(43,531)	(852)
Trading securities	375,484	(238,143)
Investment securities, net	(419,490)	597,947
Receivable from officers and employees	3,075	16,502
Advisory fees receivable	(220,669)	(94,992)
Other assets	(32,676)	(16,316)
Accounts payable and accrued liabilities	414,553	(80,633)
	<hr/>	<hr/>
Net cash provided by operating activities	1,697,737	1,431,347
 <b>Cash flows from investing activities</b>		
Capital expenditures	<u>(98,466)</u>	<u>(37,647)</u>
Net cash used by investing activities	(98,466)	(37,647)
 <b>Cash flows from financing activities</b>		
Cash distributions to shareholder	<u>(1,150,000)</u>	<u>(1,100,000)</u>
Net increase in cash and cash equivalents	449,271	293,700
Cash and cash equivalents at beginning of year	<u>1,173,572</u>	<u>879,872</u>
Cash and cash equivalents at end of year	<u>\$ 1,622,843</u>	<u>\$ 1,173,572</u>

See accompanying notes to financial statements.

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY**  
**Years ended December 31, 2013 and 2012**

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**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

Hazlett, Burt & Watson, Inc. (the “Company”) is broker-dealer registered with the Securities and Exchange Commission (“SEC”) and is a member of the New York Stock Exchange (“NYSE”) and the Financial Industry Regulatory Authority (“FINRA”). In May 2006, the Company formed Security Capital Management (“SCM”). This division of the Company is registered with the SEC as an Investment Advisor. SCM provides investment management services under an investment advisor model. The Company is a West Virginia S Corporation that is a wholly owned subsidiary of HB&W, Inc.

The Company is a fully-disclosed introducing broker. The Company has contracted with National Financial Services (“NFS”) to execute and clear all customer trades, as well as for the purpose of carrying the securities positions of the customers, along with any corresponding margin balances. Per the agreement with NFS, the Company does not reflect any receivables or liabilities for customer accounts in its financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cash and cash equivalents: Cash and cash equivalents include cash and deposits with financial institutions with maturities fewer than 90 days and money market mutual funds.

Interest-bearing time deposits: Interest-bearing deposits in other financial institutions mature within one year and are carried at cost plus accrued interest.

Security transaction accounting: Firm securities transactions affected in the firm investment account are recorded on a trade date basis. Proprietary securities transactions in regular-way trades are recorded on the trade date, 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. Customers’ securities transactions and related commission revenue and expense are recorded on a trade date basis as well.

Firm trading and investment accounts: Firm trading and investment accounts are recorded at fair value. Changes in fair value on the firm trading and investment accounts are reflected in the results of operations along with dividend or interest income from such securities.

Investment advisory fees: Investments advisory fees are recorded on an accrual basis. These fees are based on customer account values as of the end of each quarter.

Depreciation: Depreciation on real estate and improvements, furniture, leasehold improvements and equipment is provided using various methods over their estimated useful lives of five to thirty-nine years. Leasehold improvements are depreciated over their estimated useful lives or the lease term, whichever is shorter.

Income Taxes: The Company has elected by unanimous consent to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay Federal or State corporate income taxes on its taxable income. Instead, all taxable income flows through to the shareholder, HB&W, Inc.

A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The Company has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2013 and 2012.

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years ended December 31, 2013 and 2012**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company is subject to income tax of the state of West Virginia. The Company is no longer subject to examination by taxing authorities for years before 2010. The Company recognizes interest and/or penalties related to income tax matters in General, administrative and other expenses.

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 certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications: The Company reclassified revenue from realized gains on trading and investment accounts to the commissions on security transactions line item of the statement of operations during 2013. To conform to the current year presentation amounts in the 2012 financial statements have also been reclassified. These reclassifications totaled \$873,377 and there were no changes to net income or shareholder equity for the year ended December 31, 2012.

Subsequent Events: The Company evaluated the effect subsequent events would have on the financial statements through February 28, 2014, which is the date the financial statements were available to be issued.

**NOTE 3 – EARNINGS PER SHARE**

Earnings per share are calculated based upon the weighted average number of shares issued and outstanding during 2013 and 2012. The weighted average number of shares for the years ended 2013 and 2012 were 203,500.

**NOTE 4 – LEASE COMMITMENTS**

The Company leases office facilities and equipment under noncancelable leases which expire at different dates from 2013 through 2016. Certain existing leases contain renewal options. Rental expense charged to operations for the year ended December 31, 2013 and 2012 were \$86,868 and \$81,105 respectively. Minimal lease payments under these operating leases are as follows:

2014	\$ 82,176
2015	45,060
2016	<u>30,800</u>
	<u>\$ 158,036</u>

**NOTE 5 – NET CAPITAL REQUIREMENT**

The Company is subject to regulatory capital requirements set forth by the Securities and Exchange Commission Uniform Net Capital Rule, which requires that “aggregate indebtedness” shall not exceed fifteen times “net capital” as defined by the Rule and “net capital”, shall at least be \$250,000. At December 31, 2013, the Company had net capital of \$3,185,523, which was \$2,935,523 in excess of its required minimum net capital of \$250,000. At December 31, 2012, the Company had net capital of \$2,867,501, which was \$2,617,501 in excess of its required minimum net capital of \$250,000. The Company’s percentage of aggregate indebtedness to net capital was 40.3% and 30.3% at December 31, 2013 and 2012, respectively.

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 6 – EMPLOYEE BENEFITS**

The Company has a discretionary, profit sharing 401(k) plan covering substantially all employees who have attained age 21 and one year of service. The plan is funded through contributions of both employee and employer. The 401(k) provision of the plan was implemented during 2004 and calls for a mandatory 3% safe harbor employer contribution of all eligible employee earnings. The safe harbor contribution was \$103,426 for 2013 and \$97,871 for 2012, and is included in the Company's total contribution. The Company's related expense was \$215,272 for 2013 and \$263,267 for 2012.

**NOTE 7 – SHORT-TERM BORROWINGS**

The Company maintains a credit facility with WesBanco Bank. The facility permits the Company to borrow amounts up to \$200,000. The interest rate on borrowings under this credit facility is a fluctuating rate equal to a minimum of 4% at December 31, 2013. This credit facility expires on April 30, 2019. There were no borrowings outstanding on this credit facility at December 31, 2013 and 2012.

The Company maintains its proprietary trading accounts with its clearing broker. These accounts hold the Company's securities inventory and are collateralized by deposits totaling \$85,000 at December 31, 2013 and 2012, as well as all the Company's securities inventory. The Company may borrow up to an agreed-upon percentage of the value of the collateral as specified in the clearing agreements. The accounts bear interest at a rate 4.25% percent at December 31, 2013. The Company had no short term borrowings outstanding under these agreements at December 31, 2013 and 2012. There was no interest expense for the years ended December 31, 2013 and 2012.

**NOTE 8 – FIRM TRADING AND INVESTMENT ACCOUNTS**

The statements of financial condition reflect the fair value of marketable securities and not readily marketable securities in the firm trading and investment accounts. The related amortized cost and fair value are as follows as of December 31:

	<u>2013</u>		<u>2012</u>	
	<u>Firm Trading</u>	<u>Investment</u>	<u>Firm Trading</u>	<u>Investment</u>
Amortized cost:				
Certificate of deposits	\$ 10,800	\$ -	\$ -	\$ -
Corporate bonds	-	61,918	7,000	-
State and municipal debt	184,038	-	101,200	-
Equities	6,238	456,143	320,329	456,143
Total amortized cost:	<u>201,076</u>	<u>518,061</u>	<u>428,529</u>	<u>456,143</u>
Fair value:				
Certificate of deposits	11,309	-	-	-
Corporate bonds	-	62,269	7,091	63,459
State and municipal debt	183,788	-	108,006	-
Equities	5,565	1,550,379	397,590	1,193,200
Total fair value	<u>200,662</u>	<u>1,612,648</u>	<u>512,687</u>	<u>1,256,659</u>
Difference	\$ (414)	\$ 1,094,587	\$ 84,158	\$ 800,516

(Continued)

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

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**NOTE 9 - FAIR VALUE**

Fair Value Measurements (ASC 820-10) 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 ASC 820-10, 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:** Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Consist of 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.)

Investment Securities: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

There have been no changes in the methodologies used at December 31, 2013 and 2012.

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 9 - FAIR VALUE (Continued)**

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31.

**Fair Value Measurements on a Recurring Basis**  
**As of December 31, 2013**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Firm trading account</b>				
Certificate of Deposits	\$ 11,309	\$ -	\$ -	\$ 11,309
State and municipal bonds	-	183,788	-	183,788
Equities:				
Consumer Goods sector	5,565	-	-	5,565
	<u>\$ 16,874</u>	<u>\$ 183,788</u>	<u>\$ -</u>	<u>\$ 200,662</u>
<b>Firm investment account:</b>				
Corporate bonds	62,269	-	-	62,269
Equities:				
Equities and derivatives				
Exchange companies	692,979	-	-	692,979
Financial services sector	857,400	-	-	857,400
Other	-	-	43	43
	<u>\$ 1,612,648</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 1,612,691</u>

**Fair Value Measurements on a Recurring Basis**  
**As of December 31, 2012**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
<b>Firm trading account</b>				
Corporate bonds	\$ 7,091	\$ -	\$ -	\$ 7,091
State and municipal bonds	-	108,006	-	108,006
Equities:				
Banking sector	319,560	-	-	319,560
Healthcare sector	48,290	-	-	48,290
Auto Sector	29,740	-	-	29,740
	<u>\$ 404,681</u>	<u>\$ 108,006</u>	<u>\$ -</u>	<u>\$ 512,687</u>
<b>Firm investment account:</b>				
Corporate bonds	\$ 63,459	-	-	\$ 63,459
Equities:				
Equities and derivatives	-	-	-	-
Exchange companies	567,720	-	-	567,720
Financial services sector	625,380	-	-	625,380
Other	-	-	101	101
	<u>\$ 1,256,559</u>	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ 1,256,660</u>

(Continued)

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

**NOTE 9 - FAIR VALUE (Continued)**

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period ended December 31:

	Nonmarketable equity securities	
	2013	2012
Balance of recurring Level 3 assets at January 1	\$ 101	\$ 107
Total gains or losses (realized/unrealized):		
Included in earnings – realized	224	(183)
Included in earnings – unrealized	(282)	188
Sale of Level 3 asset	-	(11)
Balance of recurring Level 3 assets at December 31	\$ 43	\$ 101

The table below summarizes changes in unrealized gains and losses recorded in earnings for the year ended December 31 for Level 3 assets and liabilities that are still held at December 31.

	Changes in Unrealized Gains/Losses Relating to Assets Still Held at Reporting Date for the Year Ended December 31	
	2013	
2012		
Interest income on securities	\$ -	\$ -
Other changes in fair value	(282)	188
Total	\$ (282)	\$ 188

**NOTE 10 – RELATED PARTY TRANSACTIONS**

During 1999, a West Virginia Corporation, HB&W, Inc. was formed to serve as a holding company for Hazlett, Burt & Watson, Inc. and Security National Trust Company. Security National Trust Company is a national nondepository bank that provides trust and custodial services. Both Hazlett, Burt & Watson, Inc. and Security National Trust Company are 100% owned subsidiaries of HB&W, Inc.

Hazlett, Burt & Watson, Inc. advances funds to HB&W, Inc. as needed on an interest free basis. This amount is payable on demand. As of December 31, 2013 and 2012, Hazlett, Burt & Watson, Inc. is owed \$0 and \$0 from HB&W, Inc.

In addition, Hazlett, Burt & Watson, Inc. periodically provides brokerage, clerical, computer support and miscellaneous services, under a support services agreement, at cost and leases office space to Security National Trust Company in the Wheeling, West Virginia office. The terms of the lease require Security National Trust Company to pay \$31,500 per year for the period January 1, 2010 through December 31, 2014. As of December 31, 2013 and 2012, Hazlett, Burt & Watson, Inc. is owed \$48,992 and \$5,461 from Security National Trust Company. During the years ended December 31, 2013 and 2012 the company paid, and was reimbursed, \$503,809 and \$514,020, respectively, of expenses under this agreement.

Security National Trust Company acts as Trustee and Custodian of the Hazlett, Burt & Watson, Inc. Profit Sharing 401(k) Plan, which Plan has been adopted by both companies for substantially all of its employees. Security National Trust Company charges the standard and customary fees for providing these services. During 2013, the Company paid Security \$24,498 for these services, and \$20,216 in 2012.

**HAZLETT, BURT & WATSON, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013 and 2012**

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**NOTE 10 – RELATED PARTY TRANSACTIONS (Continued)**

Security National Trust Company maintains a line of credit at Hazlett, Burt & Watson, Inc. in the amount of \$500,000. As of December 31, 2013 and 2012, Security National Trust Company had not drawn on the available credit. This line of credit is unsecured, is payable on demand and carries an interest rate of prime less 1%.

**NOTE 11 – CONCENTRATIONS OF CREDIT RISK**

The clearing and depository operations for the Company's securities transactions are performed by its clearing firm pursuant to a clearance agreement. At December 31, 2013 and 2012, all of the securities owned, which are presented on the accompanying Statements of Financial Condition, are held by the clearing firm, who is the custodian. The clearing firm is a member of a nationally recognized exchange. Included on the balance sheet at December 31, 2013 and 2012, the Company has \$1,575,563 and \$1,031,255 included in cash and cash equivalents; \$85,000 and \$85,000 included in deposits with clearing organizations; and \$98,229 and \$67,100 as a receivable from clearing firm. The Company consistently monitors the credit worthiness of the clearing firm to mitigate the Company's exposure to credit risk.

The Company currently maintains operations in Wheeling and Vienna, West Virginia, Barnesville, OH and in Lancaster, Pennsylvania. At these locations the Company engages in various trading and brokerage activities whose counterparties primarily include broker-dealers, banks, and other financial institutions. 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 the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

In the normal course of its business, the Company is contingently liable to its clearing brokers/dealers for margin requirements of customer margin securities transactions, the failure to deliver securities sold or nonpayment of securities purchased by a customer.

**NOTE 12 – DEPOSITS WITH CLEARING ORGANIZATIONS**

Included in the statements of financial condition in the line titled, "Deposits with Clearing Organizations" are deposits with clearing organizations in the amount of \$85,000, consisting of \$85,000 in cash as of December 31, 2013 and 2012.

**NOTE 13 – RISKS AND UNCERTAINTIES**

The Company has significant investments in various securities. Investments in these securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with these investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**HAZLETT, BURT & WATSON, INC.**  
**COMPUTATION OF NET CAPITAL PURSUANT TO**  
**RULE 15c3-1 OF THE SECURITIES EXCHANGE ACT OF 1934**  
**As of December 31, 2013**

<b>NET CAPITAL</b>	
TOTAL SHAREHOLDER EQUITY	\$ 4,072,131
<b>DEDUCTIONS AND/OR CHARGES</b>	
Non-allowable assets:	
Receivables from non-customers	10,000
Securities owned not readily marketable	43
Investment in and receivable from affiliate	48,992
Furniture, equipment, leasehold improvements, and real estate	335,830
Prepaid expenses and other assets	140,039
Other deductions and/or charges	5,293
Total non-allowable assets	540,197
Net capital before haircuts on security positions	3,531,934
<b>HAIRCUTS ON SECURITIES</b>	
Trading and investment securities:	
State and municipal obligations	5,366
Money market funds	31,338
Corporate obligations	2,696
Stocks and warrants	233,391
Undue concentrations	73,620
Total haircuts	346,411
<b>NET CAPITAL</b>	<b>\$ 3,185,523</b>
<b>AGGREGATE INDEBTEDNESS</b>	
<b>COMPUTATION OF AGGREGATE INDEBTEDNESS</b>	
Accounts payable and accrued expenses	\$ 1,283,032
Total aggregate indebtedness	\$ 1,283,032
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT</b>	
<b>MINIMUM NET CAPITAL REQUIRED (6-2/3% OF AGGREGATE</b>	
Indebtedness or \$250,000 minimum)	\$ 250,000
<b>EXCESS NET CAPITAL</b>	\$ 2,935,523
<b>EXCESS NET CAPITAL OF 1000%</b>	
(net capital in excess of 120% of minimum net capital required)	\$ 2,885,523
<b>PERCENTAGE OF AGGREGATE INDEBTEDNESS TO</b>	
<b>NET CAPITAL</b>	<b>40.3%</b>

The above computations do not differ materially from the Company's computations, as shown in its FOCUS Reports Form X-17A5, Part II-A, dated December 31, 2013.

**HAZLETT, BURT & WATSON, INC.**  
**STATEMENT REGARDING RULE 15c3-3 OF THE SECURITIES**  
**EXCHANGE ACT OF 1934**  
**As of December 31, 2013**

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Hazlett, Burt & Watson, Inc. is exempt under Rule 15c3-3-k(2)(ii) from the requirement to make computations for the determination of reserve requirements for the exclusive benefit of customers.



**DIXON HUGHES GOODMAN** <sup>LLP</sup>  
Certified Public Accountants and Advisors

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17A-5**

To the Board of Directors of  
Hazlett, Burt & Watson, Inc.  
Wheeling, West Virginia

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

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

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

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

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

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

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

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. 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 Board of Directors, management, the SEC, the Financial Industry Regulatory Authority ("FINRA"), 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.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
February 27, 2014



**DIXON HUGHES GOODMAN** LLP  
Certified Public Accountants and Advisors

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON  
PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION  
REQUIRED BY SEC RULE 17a-5(e)(4)**

To the Board of Directors of  
Hazlett, Burt & Watson, Inc.  
Charlotte, North Carolina

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation ("SIPC") for the year ended December 31, 2013, which were agreed to by Hazlett, Burt & Watson, Inc. (the "Company") and the Securities and Exchange Commission (the "SEC"), Financial Industry Regulatory Authority, Inc. ("FINRA"), and SIPC, solely to assist you and the other specified parties in evaluating Hazlett, Burt & Watson, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries of the Company noting no differences.
2. Compared the Total Revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2013 with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting no differences.
3. Compared adjustments reported in Form SIPC-7 with the Company's supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Dixon Hughes Goodman LLP*

Charlotte, North Carolina  
February 27, 2014

**SIPC-7**

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(33-REV 7/10)

For the fiscal year ended **12/31/2013**

(Read carefully the instructions in your Working Copy before completing this Form)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

017737 FINRA DEC  
HAZLETT BURT & WATSON INC 12\*12  
1300 CHAPLINE ST  
WHEELING WV 26003-3348

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2) \$ 14,965

B. Less payment made with SIPC-6 filed (exclude interest) ( 7,166 )

7/22/2013  
Date Paid

C. Less prior overpayment applied ( — )

D. Assessment balance due or (overpayment) 7,799

E. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum —

F. Total assessment balance and interest due (or overpayment carried forward) \$ 7,799

G. PAID WITH THIS FORM:

Check enclosed, payable to SIPC  
Total (must be same as F above) \$ \_\_\_\_\_

H. Overpayment carried forward \$( \_\_\_\_\_ )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

Hazlett Burt & Watson, Inc  
(Name of corporation, partnership or other organization)

(Authorized Signature)

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

First Vice President  
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates: Postmarked \_\_\_\_\_ Received \_\_\_\_\_ Reviewed \_\_\_\_\_

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2013  
and ending 12/31/2013

**Item No.**

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 7,903,697

**2b. Additions:**

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

—  
—  
399  
—  
—  
—  
—  
399

Total additions

**2c. Deductions:**

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):

1,058,318  
—  
230,011  
—  
556,989  
11,715  
—  
31,500

Real Estate Rental Income

(Deductions in excess of \$100,000 require documentation)

- (9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 381

- (ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 29,595

Enter the greater of line (i) or (ii)

29,595

Total deductions

1,918,128

2d. SIPC Net Operating Revenues

\$ 5,985,968

2e. General Assessment @ .0025

\$ 14,965

(to page 1, line 2.A.)