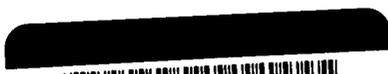


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: March 31, 2016
Estimated average burden
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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC
Mail Processing
Section
MAR 28 2014

SEC FILE NUMBER
8- 29005

FACING PAGE
**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

Washington DC

REPORT FOR THE PERIOD BEGINNING 02/01/13 AND ENDING 01/31/14
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BATES SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

8437 NORTHERN AVENUE

(No. and Street)

ROCKFORD

(City)

IL

(State)

61107

(Zip Code)

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

GEORGE E BATES

(815) 332-4020

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WEINBERG & COMPANY INC.

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

1415 E STATE STREET, SUITE 608

(Address)

ROCKFORD

(City)

IL

(State)

61104

(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)

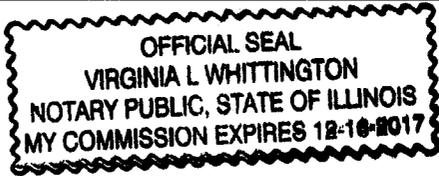
SEC 1410 (06-02)

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4/15/14

OATH OR AFFIRMATION

I, GEORGE E. BATES, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BATES SECURITIES, INC., as of JANUARY 31, 20 14, 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:



George E Bates
Signature
President
Title

Virginia L. Whittington
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 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).

BATES SECURITIES, INC.

ANNUAL AUDITED REPORT
For the Years Ended
January 31, 2014 and 2013

W EINBERG
& CO.

*Certified Public Accountants
and Consultants*

BATES SECURITIES, INC.

**ANNUAL AUDITED REPORT
For the Years Ended
January 31, 2014 and 2013**

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Report of Independent Registered Public Accounting Firm

Board of Directors
Bates Securities, Inc.
Rockford, Illinois

We have audited the accompanying financial statements of Bates Securities, Inc., which comprise the statements of financial condition as of January 31, 2014 and 2013, and the related statements of income, changes in stockholder's equity and cash flows for the years then ended, 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.

Auditor's 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 entity'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 Bates Securities, Inc. as of January 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BATES SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION
January 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT:		
Cash and cash equivalents	\$ 17 937	\$ 2 881
Commissions receivable	11 937	7 122
Marketable securities, at market	63 915	59 049
Due from affiliates	<u>5 826</u>	<u>10 025</u>
 TOTAL ASSETS	 <u>\$ 99 615</u>	 <u>\$ 79 077</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:

Accrued expenses:

Salaries and commissions	\$ 2 472	\$ 2 844
Payroll taxes	919	820
Income taxes	1 300	-
Profit sharing	<u>2 297</u>	<u>2 008</u>

TOTAL LIABILITIES	<u>6 988</u>	<u>5 672</u>
-------------------	--------------	--------------

STOCKHOLDER'S EQUITY:

Common stock, no par value, 1,000 shares authorized, 360 shares issued and outstanding	3 600	3 600
Additional paid-in capital	18 100	18 100
Retained earnings	<u>70 927</u>	<u>51 705</u>

TOTAL STOCKHOLDER'S EQUITY	<u>92 627</u>	<u>73 405</u>
----------------------------	---------------	---------------

TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 99 615</u>	<u>\$ 79 077</u>
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The accompanying notes are an integral part of the financial statements.

BATES SECURITIES, INC.

STATEMENTS OF INCOME
For the years ended January 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUE:		
Commissions	\$1 542 117	\$1 463 839
Income on investment: Unrealized gain	<u>4 866</u>	<u>6 685</u>
	<u>1 546 983</u>	<u>1 470 524</u>
EXPENSES:		
Salaries and commissions	419 816	427 367
Fees and reimbursement of expenses to affiliates	1 066 199	1 000 026
Payroll taxes	5 907	5 132
Bank charges	303	2
Professional fees	7 025	6 500
Profit-sharing	2 297	2 008
Regulatory fees	24 914	22 780
Miscellaneous	<u>-</u>	<u>536</u>
	<u>1 526 461</u>	<u>1 464 351</u>
Income before income taxes	20 522	6 173
INCOME TAXES	<u>1 300</u>	<u>-</u>
NET INCOME	<u>\$ 19 222</u>	<u>\$ 6 173</u>

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

BATES SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
for the years ended January 31, 2014 and 2013

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, January 31, 2012	\$ 3 600	\$ 18 100	\$ 45 532	\$ 67 232
Net income	-	-	6 173	6 173
Balance, January 31, 2013	3 600	18 100	51 705	73 405
Net income	-	-	19 222	19 222
Balance, January 31, 2014	<u>\$ 3 600</u>	<u>\$ 18 100</u>	<u>\$ 70 927</u>	<u>\$ 92 627</u>

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

BATES SECURITIES, INC.

STATEMENTS OF CASH FLOWS
for the years ended January 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 19 222	\$ 6 173
Adjustments to reconcile net income to net cash provided by operating activities:		
Unrealized gain on investments	(4 866)	(6 685)
Commissions receivable	(4 815)	(5 754)
Due to/from affiliates	4 199	27
Income taxes	1 300	-
Accrued expenses	<u>16</u>	<u>610</u>
Total adjustments	<u>(4 166)</u>	<u>(11 802)</u>
NET INCREASE (DECREASE) IN CASH	15 056	(5 629)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2 881</u>	<u>8 510</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 17 937</u>	<u>\$ 2 881</u>

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

BATES SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

The Company operates as a broker in registered securities and other investments. The Company introduces and forwards, as a broker, all security transactions and accounts to David A. Noyes & Company/First Clearing, LLC and Southwest Securities, Inc., or other qualified investment companies, which carry such accounts on a fully disclosed basis. Commissions receivable consist of amounts due from David A. Noyes & Company/First Clearing, LLC and Southwest Securities, Inc., and other companies for whom the Company has sold annuities or mutual funds.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Depreciation

Depreciation of furniture and fixtures are calculated using the straight-line method over the estimated useful lives of the related asset. Maintenance and repairs are charged to expense when incurred and renewals and betterments are capitalized. The gain or loss on assets sold or retired is included in income.

Deferred income taxes

Deferred income taxes may result from timing differences created by the use of the accrual method for financial reporting purposes and the cash basis for income tax purposes.

Recognition of Revenue

All securities and annuity transactions and related revenue and expenses are generally recorded on a trade-date basis.

Cash equivalents

All highly liquid securities purchased with an original maturity of three months or less are considered to be cash equivalents.

BATES SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 2 - FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels for the fair value hierarchy under SFAS No. 157 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2

Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Marketable equity securities held by the Company totaling \$63,915 and \$59,049, at January 31, 2014 and 2013, respectively, consist of actively traded mutual funds which are valued at the net asset value of the share held by the Company at year end (level 1).

BATES SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 3 - NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission, which requires the maintenance of a minimum net capital of \$5,000 and that the ratio of aggregated indebtedness to net capital, both of which are defined, should not exceed 15 to 1. Net capital as of January 31, 2014 and 2013, was \$76,888 and \$54,161, respectively, and aggregate indebtedness was \$6,988 and \$5,672, respectively. The ratio of aggregate indebtedness to net capital at January 31, 2014 and 2013, was .09 to 1 and .10 to 1, respectively.

NOTE 4 - FEES AND REIMBURSEMENT OF EXPENSES TO AFFILIATES

The Company has an operating agreement with an affiliated company. The agreement provides for the affiliated company to pay a substantial portion of Bates Securities, Inc.'s operating expenses in exchange for a fee equal to 99 percent of revenue received after commissions and certain other expenses are paid. This fee totaled \$1,066,199 and \$1,000,026 for the years ended January 31, 2014 and 2013, respectively, and is included on the statement of income under the caption, fees and reimbursement of expenses to affiliates.

NOTE 5 - PROFIT SHARING PLAN

The Company has a defined contribution plan which covers all employees who meet the plan's eligibility requirements.

A feature of the plan allows employees of the Company to participate in a salary reduction savings plan whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length-of-service requirements. Electing employee deferrals are eligible for a discretionary company-matching contribution.

The Company's safe harbor contribution was \$2,297 and \$2,008 for the years ended January 31, 2014 and 2013, respectively.

NOTE 6 - INCOME TAXES

Income taxes are summarized as follows:

	<u>2014</u>	<u>2013</u>
Federal income tax	\$ 800	\$ -
Illinois income tax	<u>500</u>	<u>-</u>
	<u>\$1 300</u>	<u>\$ -</u>

Income tax differs from the statutory rate primarily due to the utilization of net operating loss carryforwards and unrealized gain on investments.

BATES SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 6 - INCOME TAXES (continued)

The Company follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax positions will more-likely-than-not be sustained upon examination by taxing authorities. The Company has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Company believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Company's financial condition, results of operations or cash flows. Accordingly, the Company has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at January 31, 2014 and 2013.

The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. The Company believes it is no longer subject to income tax examinations for years prior to 2009.

The Company's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Company's management has indicated that there are no commitments or guarantees against the assets of the Company. In addition, they have also indicated that there are no contingencies regarding litigation or arbitration.

NOTE 8 - SUBSEQUENT EVENTS

The Company's management has evaluated subsequent events through March 25, 2014, the date the financial statements were available to be issued.

NOTE 9 - RECLASSIFICATIONS

An amount of \$291 included in marketable securities at January 31, 2013 has been reclassified as cash and cash equivalents to conform to the January 31, 2014 presentation. This reclassification had no effect on net income for the year ended January 31, 2013.

Report of Independent Accountants on
Supplementary Information Required by Rule 17a-5
of the Securities and Exchange Commission

Board of Directors
Bates Securities, Inc.
Rockford, Illinois

We have audited the financial statements of Bates Securites, Inc. as of and for the years ended January 31, 2014 and 2013, and have issued our report thereon dated March 25, 2014, which contained an unmodified opinion of those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The information contained in Schedules I, II, III and IV is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Weinberg & Co. Inc.

Rockford, Illinois
March 25, 2014

BATES SECURITIES, INC.

COMPUTATION OF NET CAPITAL REQUIRED BY RULE 15c-3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
January 31, 2014

COMPUTATION OF NET CAPITAL

Total stockholder's equity	\$ 92,627
Deduct stockholder's equity not allowable for net capital	<u>-</u>
Total stockholder's equity qualified for net capital	92,627
Deduct non-allowable assets, Due from affiliates	<u>(5,826)</u>
Net capital before haircuts on securities position	86,801
Deduct haircuts:	
Other securities	(8,169)
Undue concentration	<u>(1,744)</u>
Total haircuts	<u>(9,913)</u>
NET CAPITAL	<u>\$ 76,888</u>

BATES SECURITIES, INC.

COMPUTATION OF NET CAPITAL REQUIRED BY RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
January 31, 2014

COMPUTATION OF BASIC NET REQUIREMENT

Net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$ 71,888</u>
Excess net capital at 1000% (net cap-10% of AI)	<u>\$ 76,319</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total A.I. liabilities	<u>\$ 6,988</u>
Percentage of aggregate indebtedness to net capital	<u>9.09%</u>

BATES SECURITIES, INC.

SUMMARY OF AUDIT ADJUSTMENTS
TO COMPUTATION OF NET CAPITAL REQUIREMENT
January 31, 2014

Net capital as previously reported in the Financial and Operation Combined Uniform Single Report - Part IIA (unaudited)	\$ 78 188
Ajustment, Income taxes	<u>(1 300)</u>
Net capital as currently reported on Schedule I	<u>\$ 76,888</u>

BATES SECURITIES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
REQUIRED BY RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
January 31, 2014

The Company is exempt from Rule 15c3-3 under paragraph (k)(2)(ii). The Company clears all transactions with and for customers on a fully disclosed basis either directly with mutual fund or insurance companies the Company has proper selling agreements with, or with David A. Noyes & Company/First Clearing, LLC or Southwest Securities, Inc., and promptly transmits all customer funds and securities to either each mutual fund or insurance company, or with David A. Noyes & Company/First Clearing, LLC or Southwest Securities, Inc., which carry all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

BATES SECURITIES, INC.

**INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS
REQUIRED BY RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
January 31, 2014**

The Company is exempt from the possession and control requirements of Rule 15c3-3 under paragraph (k)(2)(ii). The Company clears all transactions with and for customers on a fully disclosed basis either directly with mutual fund or insurance companies the Company has proper selling agreements with, or with David A. Noyes & Company/First Clearing, LLC or Southwest Securities, Inc., and promptly transmits all customer funds and securities to either each mutual fund or insurance company, or with David A. Noyes & Company/First Clearing, LLC or Southwest Securities, Inc., which carry all of the accounts of such customers and maintains and preserves such books and records pertaining thereto pursuant to the requirements of Rules 17a-3 and 17a-4, as are customarily made and kept by a clearing broker or dealer.

**Report of Independent Accountants on Internal Control Structure
Required by Rule 17a-5 of the Securities and Exchange Commission**

Board of Directors
Bates Securities, Inc.
Rockford, Illinois

In planning and performing our audit of the financial statements of Bates Securities, Inc. for the year ended January 31, 2014, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We also made a study of the practices and procedures followed by Bates Securities, Inc. in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11). The management of the Company has indicated that the Company was in compliance with the exemptive provisions of Rule 15c3-3 and no facts came to our attention indicating that the exemptive provisions have not been complied with during the year ended January 31, 2014. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recording of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures 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 Commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 were adequate at January 31, 2014, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1933 and should not be used for any other purpose.

Rockford, Illinois
March 25, 2014

**Independent Accountants' Report on Applying Agreed-Upon
Procedures Related to an Entity's SIPC Assessment Reconciliation**

To the Board of Directors
Bates Securities, Inc.
Rockford, Illinois

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 Schedule of Assessment and Payments (General Assessment Payment (Form SIPC-6) and General Reconciliation [Form SIPC-7]) to the Securities Investor Protection Corporation (SIPC) for the year ended January 31, 2014, which were agreed to by Bates Securities, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC solely to assist you and the other specified parties in evaluation Bates Securities, Inc.'s compliance with the applicable instructions of the General Assessment Payment (Form SIPC-6) and General Assessment Reconciliation (Form SIPC-7). Bates Securities, Inc.'s management is responsible for the Bates Securities, Inc.'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 payment in Form SIPC-6 and Form SIPC-7 with respective cash disbursement in the general ledger and to a copy of disbursed check, noting no differences;
2. Compared the amounts reported on Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-6 and Form SIPC-7 for the year ended January 31, 2014, noting no differences other than those caused by the respective reports covering different time periods (December vs. January year ends).
3. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-6 and Form SIPC-7 and with Form X-17A-5 and Bates Securities Statement of Income, 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 or should not be used by anyone other than these specified parties.

March 25, 2014