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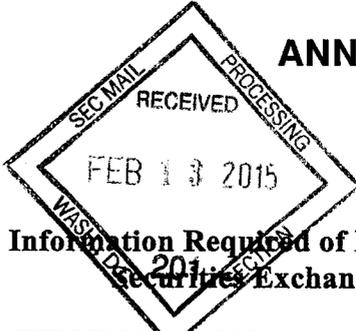


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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL	
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2/19/15



SEC FILE NUMBER
8- 53149

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 01/01/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Capital Management of the Carolinas, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1520 South Boulevard, Suite 230

(No. and Street)

Charlotte, NC 28203

(City)

(State)

(Zip Code)

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

Rebecca Douglass

704-332-3131, ext. 234

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

GreerWalker LLP

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

227 West Trade Street, Suite 1100, Charlotte, NC 28202

(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)

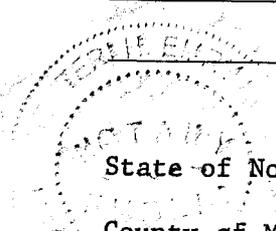
SEC 1410 (06-02)

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2/19/15

OATH OR AFFIRMATION

I, Rebecca G. Douglass, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Capital Management of the Carolinas, LLC of December 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



State of North Carolina

County of Mecklenburg

Jeri H. Emery  
Notary Public

Rebecca G. Douglass  
Signature

Vice President/Partner  
Title

My Commission Expires: 8-25-15

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).

**CAPITAL MANAGEMENT OF**  
**THE CAROLINAS, LLC**

Financial Statements and Supplemental Information  
for the Year Ended December 31, 2014 and  
Report of Independent Registered Public Accounting Firm

**Capital Management**  
OF THE CAROLINAS, L.L.C.

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# GreerWalker

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Capital Management of the Carolinas, LLC:

We have audited the accompanying financial statements of Capital Management of the Carolinas, LLC (the "Company"), which comprise the statement of financial condition as of December 31, 2014, and the related statements of income, changes in members' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements and supplemental information. Capital Management of the Carolinas, LLC's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Capital Management of the Carolinas, LLC as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles in the United States of America.

The supplementary information on pages 10 to 14 has been subjected to audit procedures performed in conjunction with the audit of Capital Management of the Carolinas, LLC's financial statements. The supplemental information is the responsibility of Capital Management of the Carolinas, LLC's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Rule 17a-5 of the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Greer Walker LLP*  
February 3, 2015

**GreerWalker LLP – Certified Public Accountants**

The Carillon | 227 West Trade St., Suite 1100 | Charlotte, NC 28202 | USA

**Accounting & Tax | Wealth Management | Corporate Finance**

Tel 704.377.0239 | greerwalker.com

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**Capital Management**  
OF THE CAROLINAS, L.L.C.

# CAPITAL MANAGEMENT OF THE CAROLINAS, LLC

## STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2014

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### ASSETS

#### CURRENT ASSETS:

Cash and cash equivalents	\$	265,584
Accounts receivable:		
Broker-dealer 12b(1) fees		185,509
Consulting fees		6,800
Prepaid expenses		34,006
Total current assets		<u>491,899</u>

#### PROPERTY:

Office furniture and equipment		157,113
Leasehold improvements		46,944
Total		<u>204,057</u>
Less accumulated depreciation and amortization		<u>153,731</u>
Property, net		<u>50,326</u>

#### DEPOSITS

TOTAL ASSETS	\$	<u>545,954</u>
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### LIABILITIES AND MEMBERS' EQUITY

#### CURRENT LIABILITIES:

Accounts payable and other accrued liabilities	\$	16,651
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MEMBERS' EQUITY		<u>529,303</u>
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TOTAL LIABILITIES AND MEMBERS' EQUITY	\$	<u>545,954</u>
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See notes to financial statements.

## CAPITAL MANAGEMENT OF THE CAROLINAS, LLC

### STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

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#### REVENUES:

Broker-dealer 12b(1) fees	\$ 2,181,322
Consulting fees	34,355
Interest	416
Total	<u>2,216,093</u>

#### EXPENSES:

Salaries	1,117,489
Insurance	121,921
Retirement plan contributions	55,000
Office rent	54,822
Conferences and seminars	38,825
Travel and entertainment	35,657
Office supplies and expense	34,000
Payroll taxes	32,461
Legal and professional fees	32,055
Telephone	22,617
Technology fees	12,324
Depreciation and amortization	10,946
Dues and subscriptions	6,893
Regional and state advisory committee expenses	6,518
Regulatory fees	5,276
Contributions	3,035
Marketing	2,880
Licenses and permits	2,163
Other	1,683
Total	<u>1,596,565</u>

#### NET INCOME

\$ 619,528

See notes to financial statements.

**CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

STATEMENT OF CHANGES IN MEMBERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2014

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MEMBERS' EQUITY, DECEMBER 31, 2013	\$	534,775
DISTRIBUTIONS TO MEMBERS		(625,000)
NET INCOME		<u>619,528</u>
MEMBERS' EQUITY, DECEMBER 31, 2014	\$	<u><u>529,303</u></u>

See notes to financial statements.

**CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF  
GENERAL CREDITORS FOR THE YEAR ENDED DECEMBER 31, 2014**

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SUBORDINATED LIABILITIES, DECEMBER 31, 2013	\$ -
CHANGE IN SUBORDINATED LIABILITIES FOR THE YEAR ENDED DECEMBER 31, 2014	<hr/> -
SUBORDINATED LIABILITIES, DECEMBER 31, 2014	<hr/> <hr/> \$ -

See notes to financial statements.

## **CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

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#### CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 619,528
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation and amortization	10,946
Changes in operating assets and liabilities:	
Accounts receivable	2,436
Other assets	(6,222)
Accounts payable and other accrued liabilities	(2,903)
Net cash provided by operating activities	<u>623,785</u>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property	<u>(10,079)</u>
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#### CASH FLOWS FROM FINANCING ACTIVITIES:

Distributions to members	<u>(625,000)</u>
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,294)
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CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>276,878</u>
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CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 265,584</u>
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See notes to financial statements.

## **CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

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#### 1. SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Operations - Capital Management of the Carolinas, LLC (the "Company") is a limited liability company and operates as a registered broker-dealer primarily involved in the distribution of mutual funds to North Carolina local governments and public authorities. The Company does not take title to, or control of, any securities. The Company is registered with the Securities and Exchange Commission as a broker-dealer and is a member of the Financial Industry Regulatory Authority.

Use of Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures. Accordingly, the actual amounts could differ from those estimates. Any adjustments applied to estimated amounts are recognized in the year in which such adjustments are determined.

Cash and Cash Equivalents - The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company maintains cash deposits with financial institutions that at times may exceed federally insured limits. As of December 31, 2014, the Company had cash equivalents of \$106,037 that were uninsured.

Accounts Receivable - The Company extends credit to Fidelity Distributors Corporation for monthly 12b(1) distribution fees earned under its service agreements, and to Sterling Capital Management for consulting fees. As of December 31, 2014, the Company considers all such receivables fully collectible, and therefore, no allowance for bad debts has been provided for in the accompanying financial statements. As of December 31, 2014, receivables from one customer represents 96% of total receivables.

Property - Property is stated at cost. Depreciation and amortization are provided over the estimated useful lives of the related assets using accelerated and straight-line methods.

Income Taxes - For income tax purposes, the Company is considered to be a partnership. No provision for federal or state income taxes has been made in the accompanying financial statements since the members include their allocable share of the Company's taxable income or loss in their respective individual income tax returns.

The Company records liabilities for income tax positions taken or expected to be taken when those positions are deemed uncertain to be upheld in an examination by taxing authorities. As of December 31, 2014, the tax years ended December 31, 2011 through 2014 were open for potential examination by taxing authorities. No liabilities for uncertain income tax positions were recorded as of December 31, 2014.

Income and Loss Allocations, Distributions and Contributions to/from Members - Allocations of income and losses, and distributions and contributions of cash to/from members are governed by the terms of the members' operating agreement.

Subsequent Events - In preparing its financial statements, the Company has evaluated subsequent events through February 3, 2015, which is the date the financial statements were available to be issued.

## 2. NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2014, the Company had net capital of \$246,812 which was \$241,812 in excess of its required net capital of \$5,000. The Company's net capital ratio was approximately .07 to 1.

## 3. PROFIT SHARING PLAN

The Company sponsors a profit sharing plan which covers all full-time employees. Company contributions to the plan are made at the discretion of management. During the year ended December 31, 2014, contributions in the amount of \$55,000 were made to the plan.

## 4. LEASE COMMITMENTS

The Company leases office space under two operating leases with terms that expire in October 2015 and May 2018, respectively. Rent expense under both office leases for the year ended December 31, 2014, totaled \$54,822.

The Company also leases office equipment with lease terms expiring at various dates through May 2018. Rent expense under all equipment leases totaled \$8,793 for the year ended December 31, 2014. As of December 31, 2014, aggregate future minimum lease payments for all operating leases are \$61,728, \$61,170, \$62,781, and \$26,224 for 2015, 2016, 2017, and 2018, respectively.

## 5. MEMBERS' EQUITY

The members of the Company are subject to an operating agreement which stipulates, among other things, the terms under which equity interests of the Company can be sold or transferred. Under terms of the agreement, a member must receive written consent from 75% of the percentage interest then held by the members to dispose of any interest in the Company. The agreement also provides that a member intending to dispose of an interest in the Company must first offer the interest to the Company and then to other members at a price determined in accordance with the agreement. In addition, the Company is required to purchase the interest of a member upon death or retirement of the member. As of December 31, 2014, the Company's liability for redemptions related to the death of any of its members would be funded from the proceeds of term life insurance policies.

## 6. CONCENTRATION OF REVENUE

The Company maintains two service agent agreements with Fidelity Distributors Corporation with respect to the North Carolina Capital Management Trust (the "Trust") cash and term portfolios. During 2014, the two service agreements accounted for approximately 98% of total Company revenue. The agreements are renewable annually by approval of the trustees of the Trust. If approval is not obtained, the agreement expires 12 months after the date of the last approval. The trustees are scheduled to vote on the renewal in 2015. Management of the Company expects that the agreements will be renewed. Recertification of the Trust is normally conducted every five years by the North Carolina Local Government Commission. In 2011, the Local Government Commission extended the recertification of the Trust for a five-year period into 2016, when a five-year recertification will again be considered.

## 7. SIPC MEMBERSHIP EXCLUSION

The Company has claimed exclusion from SIPC Membership for the calendar year ended December 31, 2014, under Section 78ccc(a)(2)(A)ii of the Securities Investor Protection Act of 1970.

**CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

RECONCILIATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES  
AND EXCHANGE COMMISSION

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NET CAPITAL, DECEMBER 31, 2014 (Unaudited)	\$	246,812
ADJUSTMENTS		<u>-</u>
NET CAPITAL, DECEMBER 31, 2014 (Audited)	\$	<u>246,812</u>

See report of independent registered public accounting firm.

BROKER OR DEALER CAPITAL MANAGEMENT OF THE CAROLINAS, LLC	as of	12/31/14
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COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	529,303	3480
2. Deduct ownership equity not allowable for Net Capital	(		3490
3. Total ownership equity qualified for Net Capital		529,303	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	529,303	3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	\$	280,370	3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts and spot commodities-proprietary capital charges			3600
D. Other deductions and/or charges			3610
		( 280,370 )	3620
7. Other additions and/or allowable credits (List)			3630
8. Net Capital before haircuts on securities positions	\$	248,933	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)) :			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities			3735
2. Debt securities			3733
3. Options			3730
4. Other securities		2,121	3734
D. Undue concentration			3650
E. Other (List)			3736
		( 2,121 )	3740
10. Net Capital	\$	246,812	3750

OMIT PENNIES

See report of independent registered public accounting firm.

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA**

Date: 1/26/15 11:57 AM  
Status: Accepted

<b>BROKER OR DEALER</b> CAPITAL MANAGEMENT OF THE CAROLINAS, LLC	as of <u>12/31/14</u>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6-2/3% of line 19)	\$	1,110	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	5,000	3760
14. Excess net capital (line 10 less 13)	\$	241,812	3770
15. Net capital less greater of 10% of line 19 or 120% of line 12	\$	240,812	3780

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	\$	16,651	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
19. Total aggregate indebtedness	\$	16,651	3840
20. Percentage of aggregate indebtedness to net capital (line 19 divided by line 10)	%	6.75	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c-3-1(d)	%	0.00	3860

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

**Part B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	3870	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	3880	3880
24. Net capital requirement (greater of line 22 or 23)	\$	3760	3760
25. Excess net capital (line 10 less 24)	\$	3910	3910
26. Net capital in excess of the greater of: 5% of combined aggregate debit items or 120% of minimum net capital requirement	\$	3920	3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of the memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

See report of independent registered public accounting firm.



# GreerWalker

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Capital Management of the Carolinas, LLC:

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Capital Management of the Carolinas, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which Capital Management of the Carolinas, LLC claimed an exemption from 17 C.F.R. §240.15c3-3(k)(1) (the "exemption provisions") and (2) Capital Management of the Carolinas, LLC stated that Capital Management of the Carolinas, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. Capital Management of the Carolinas, LLC's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Capital Management of the Carolinas, LLC's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

*Greer Walker LLP*  
February 3, 2015

## **CAPITAL MANAGEMENT OF THE CAROLINAS, LLC**

**SUPPLEMENTAL DISCLOSURES, DECEMBER 31, 2014**

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### **EXEMPTION REPORT**

1. The Company is exempt from the SEC Rule 15c3-3 Reserve Requirement under Paragraph k(1) of Rule 15c3-3. During the fiscal year ending December 31, 2014, the Company met the exemption provisions identified above without exception.

See report of independent registered public accounting firm.

Securities Investor Protection Corporation  
805 15th Street NW, Suite 800  
Washington, DC 20005-2215

Forwarding and Address Correction Requested

SIPC-3 2015

DEC 22 '14 10:45

8-

8-053149 FINRA DEC 5/11/2001  
CAPITAL MAN OF THE CAROLINAS LLC  
1520 SOUTH BLVD STE 230  
CHARLOTTE, NC 28203

Securities Investor Protection Corporation  
805 15th Street NW, Suite 800  
Washington, DC 20005-2215

Check appropriate boxes.

(i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*

(ii) its business as a broker-dealer is expected to consist exclusively of:

(I) the distribution of shares of registered open end investment companies or unit investment trusts;

(II) the sale of variable annuities;

(III) the business of insurance;

(IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;

(iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

Pursuant to the terms of this form (detailed below).

x Rebecca Douglas / VP-Porter 1/12/15  
Authorized Signature / Title Date

Form SIPC-3

FY 2015

Certification of Exclusion From Membership.

*Returned via US mail 1/12/15*

TO BE FILED BY A BROKER-DEALER WHO CLAIMS EXCLUSION FROM MEMBERSHIP IN THE SECURITIES INVESTOR PROTECTION CORPORATION ("SIPC") UNDER SECTION 78ccc(a)(2)(A) OF THE SECURITIES INVESTOR PROTECTION ACT OF 1970 ("SIPA").

The above broker-dealer certifies that during the year ending December 31, 2015 its business as a broker-dealer is expected to consist exclusively of one or more of the following (check appropriate boxes):

- (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions;\*
- (ii) its business as a broker-dealer is expected to consist exclusively of:
  - (I) the distribution of shares of registered open end investment companies or unit investment trusts;
  - (II) the sale of variable annuities;
  - (III) the business of insurance;
  - (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts;
- (iii) it is registered pursuant to 15 U.S.C. 78o(b)(11)(A) as a broker-dealer with respect to transactions in securities futures products;

and that, therefore, under section 78ccc(a)(2)(A) of SIPA it is excluded from membership in SIPC.

\*If you have any questions concerning the foreign exclusion provision please contact SIPC via telephone at 202-371-8300 or e-mail at asksipc@sipc.org to request a foreign exclusion questionnaire.

The following bylaw was adopted by the Board of Directors:

Interest on Assessments.

... If any broker or dealer has incorrectly filed a claim for exclusion from membership in the Corporation, such broker or dealer shall pay, in addition to all assessments due, interest at the rate of 20% per annum of the unpaid assessment for each day it has not been paid since the date on which it should have been paid.

In the event of any subsequent change in the business of the undersigned broker-dealer that would terminate such broker-dealer's exclusion from membership in SIPC pursuant to section 78ccc(a)(2)(A) of the SIPA, the undersigned broker-dealer will immediately give SIPC written notice thereof and make payment of all assessments thereafter required under section 78ddd(c) of the SIPA.

Sign, date and return this form no later than 30 days after the beginning of the year, using the enclosed return envelope.

Retain a copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.