



16003597

SEC  
Mail Processing  
Section

FEB 25 2016

Washington DC

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-65407

408  
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 01/01/15 AND ENDING 12/31/15  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Craig-Hallum Capital Group LLC OFFICIAL USE ONLY

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

222 South Ninth Street, STE 350  
(No. and Street)

Minneapolis Minnesota 55402  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Jeannie Sonstegard (612) 334-6358  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

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

90 South Seventh Street, Minneapolis Minnesota 55402  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

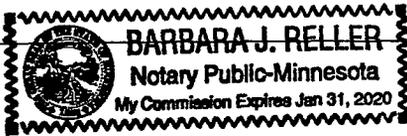
FOR OFFICIAL USE ONLY

\*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)

JG

OATH OR AFFIRMATION

I, Jeannie Sonstegard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Craig-Hallum Capital Group LLC, as of December 31, 2015, 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:



Jeannie Sonstegard  
Signature

Chief Financial Officer  
Title  
Craig-Hallum Capital Group LLC

Barbara J Reller  
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).

**CRAIG-HALLUM CAPITAL GROUP LLC**

**Table of Contents**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

## Report of Independent Registered Public Accounting Firm

The Member  
Craig-Hallum Capital Group LLC:

We have audited the accompanying statement of financial condition of Craig-Hallum Capital Group LLC (the Company) as of December 31, 2015 (the financial statement). The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes 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 statement referred to above presents fairly, in all material respects, the financial position of Craig-Hallum Capital Group LLC as of December 31, 2015, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Minneapolis, Minnesota  
February 19, 2016

**CRAIG-HALLUM CAPITAL GROUP LLC**

Statement of Financial Condition

December 31, 2015

**Assets**

Cash and cash equivalents	\$	6,443,207
Receivables from brokers, dealers, and others		11,321,679
Furniture, equipment, and leasehold improvements, at cost (net of accumulated depreciation of \$1,300,614)		699,914
Deposits with clearing broker		250,037
Securities owned:		
Marketable, at market value		17,451
Not readily marketable, at estimated fair value		134,176
Prepaid expenses		428,522
Other receivables		217,139
Lease deposits		77,566
Total assets	\$	<u>19,589,691</u>

**Liabilities and Member's Equity**

Liabilities:		
Accrued employee compensation and benefits	\$	11,514,786
Payable to brokers, dealers, and others		220,213
Distributions payable to Member		1,100,000
Accounts payable		840,985
Total liabilities		<u>13,675,984</u>
Member's equity		<u>5,913,707</u>
Total liabilities and member's equity	\$	<u>19,589,691</u>

See accompanying notes to statement of financial condition.

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

**(1) Description of Business**

Craig-Hallum Capital Group LLC (the Company) is a limited liability company registered as a broker-dealer in securities with the Financial Industry Regulatory Authority, Inc. (FINRA) and the Securities and Exchange Commission (SEC). The Company commenced operations on May 31, 2002. The Company engages in the business of acting as a dealer, market maker, investment banker, and provider of brokerage services with respect to equity and other securities. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities and, accordingly, is exempt from SEC Rule 15c3-3. All securities transactions are cleared through a clearing broker on a fully disclosed basis. The Company guarantees to its clearing firm the performance of every customer transaction it introduces to the clearing firm. The Company is a wholly owned subsidiary of Craig-Hallum Holdings LLC (CHH), a limited liability company.

**(2) Summary of Significant Accounting Policies**

**(a) Use of Estimates**

The preparation of a statement of financial condition in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

**(b) Cash and Cash Equivalents**

Cash and cash equivalents consist of bank deposits and money market securities. The Company considers all highly liquid investments with maturities of less than three months to be cash and cash equivalents.

**(c) Securities Transactions**

The Company records securities transactions and related revenues and expenses on a trade-date basis. Securities owned are stated at market value with related changes in unrealized gains or losses reflected in principal transactions revenues. All securities owned are U.S. equity securities. Market value is generally based on listed market prices. If listed market prices are not available, fair value is determined based on other relevant factors, including broker or dealer price quotations.

The Company owns investment securities that are not readily marketable for varying periods of time. These securities are recorded at their estimated fair value at the end of each accounting period, with the resulting changes in value reported as realized and unrealized gains (losses) on not readily marketable securities. The fair value of an investment security is determined in good faith using procedures established by the Company, which may include using a prevailing market rate. The Company values its securities owned by using a market approach,

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

including available market information. For securities without available market information, the Company analyzes other facts and circumstances to determine its best estimate of fair value.

**(d) Furniture, Equipment, and Leasehold Improvements**

Depreciation on furniture, fixtures, and equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the term of the applicable leases. The Company reviews for impairment losses when events or facts indicate the carrying amount may not be recoverable.

**(e) Income Taxes**

The Company is a wholly owned, limited liability company and does not file its own income tax returns. The sole member of the Company is CHH, which is taxed as a partnership, and the results of the Company's operations are included in the CHH partnership tax returns. As a partnership, CHH does not generally pay any income taxes since all income or loss flows through to its members. Accordingly, the Company has many attributes of a pass-through entity and income taxes are not presented in its statement of financial condition. CHH does incur immaterial amounts of state franchise and withholding taxes, which are reimbursed by the Company. The Company has therefore adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740, *Income Taxes*, in accounting for these items. The tax returns of the Company can be examined by the relevant taxing authorities until such time as the applicable statute of limitation has expired. For example, U.S. tax returns are generally subject to audit for three years from the date they are filed. The Company has evaluated the implications of (ASC) Topic 740, *Income Taxes*, for all open tax years and has determined there is no tax impact to the Company's statement of financial condition as of December 31, 2015.

**(f) Fair Value Measurements**

Fair value measurements accounting standards establish an authoritative definition of fair value, set out a framework for measuring fair value, and require additional disclosures about fair value measurements. The Company's assets and liabilities are classified using the three-tier fair value hierarchy as summarized below. The Company's asset holdings subject to Level 2 and Level 3 valuation are immaterial to the overall financial statement presentation.

Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 – Valuation is determined using other significant observable inputs for identical or similar instruments.

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

Level 3 – Valuation is determined using significant assumptions not observable in the market.

The following table summarizes the Company's assets that were accounted for at fair value by level within the fair value hierarchy as of December 31, 2015:

	Quoted prices in active markets for identical assets or liabilities (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Value at December 31, 2015
Cash and cash equivalents	\$ 6,443,207	—	—	6,443,207
Securities owned	17,451	134,176	—	151,627

The following is a reconciliation of the fair valuations using significant unobservable inputs for the Company during the year ended December 31, 2015:

Beginning balance at December 31, 2014	\$ 275
Transfers to Level 2	(275)
Purchases	—
Total realized and unrealized losses	—
Ending balance at December 31, 2015	\$ —
The amount of total gains or losses for the period included in operations attributable to the change in unrealized gains or losses relating to assets still held at the reporting date	\$ —

Securities were transferred from Level 3 to Level 2 because the underlying securities on these derivatives are actively traded and, therefore, have observable inputs.

The valuation of remaining Level 3 securities held at December 31, 2015 of \$0 is immaterial to the overall financial statement presentation and consists of private company securities that are not actively traded.

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

**(3) Receivables from Brokers, Dealers, and Others**

Amounts receivable from brokers, dealers, and others at December 31, 2015 consist of the following:

	<u>2015</u>
Receivable from clearing organization	\$ 10,837,931
Fees and commissions receivable	<u>483,748</u>
	<u>\$ 11,321,679</u>

Included in the receivables from brokers, dealers, and others are unsettled trading inventory trades. The Company's principal source of short-term financing is provided by the clearing broker from which it can borrow on an uncommitted basis against its trading inventory positions, subject to collateral maintenance requirements.

The Company conducts business with brokers and dealers who are members of the major securities exchanges. The Company monitors the credit standing of such brokers and dealers and the market value of collateral and requests additional collateral as deemed appropriate.

**(4) Securities Owned**

Marketable securities owned consist of trading securities at market value as follows:

	<u>2015</u>
Corporate stocks	\$ 17,451

Securities not readily marketable are investment securities (a) that cannot be publicly offered or sold unless registration has been affected under the Securities Act of 1933 or (b) that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company. At December 31, 2015, these equity securities were valued at \$134,176.

**(5) Commitments and Contingencies**

The Company leases office space and various types of equipment under noncancelable leases varying from one to five years, with certain renewal options for like terms.

At December 31, 2015, the Company's future minimum rental commitments based upon the terms (excluding escalation costs) under noncancelable leases, which have an initial or remaining term of one year or more, were as follows:

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

2016	\$	357,535
2017		365,751
2018		286,263
2019		216,801
2020		—
Later years		—
	\$	<u>1,226,350</u>

**(6) Employee Benefit Plan**

The Company maintains a 401(k) profit sharing plan (the Plan) for which the Company is the plan administrator. Tax Sheltered Compensation, Inc. acts as a third-party administrator and as such provides recordkeeping services. The Plan covers substantially all employees.

**(7) Financial Instruments with Off-Balance-Sheet Risk**

In the ordinary course of business, the Company's securities activities involve execution, settlement, and financing of various securities transactions as principal and agent. These activities may expose the Company to credit and market risks in the event customers, other brokers and dealers, banks, depositories, or clearing organizations are unable to fulfill contractual obligations. Such risks may be increased by volatile trading markets. The Company clears all transactions for its customers on a fully disclosed basis with a clearing firm that carries all customer accounts and maintains related records. Nonetheless, the Company is liable to the clearing firm for the transactions of its customers. These activities may expose the Company to off-balance-sheet risk in the event a counterparty is unable to fulfill its contractual obligations.

**(8) Regulatory Requirements**

The Company is subject to the net capital requirements of the FINRA and Uniform Net Capital requirements of the SEC under Rule 15c3-1. The FINRA and SEC requirements also provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At December 31, 2015, the Company had net capital of approximately \$4,477,482 which was \$3,565,749 in excess of the amount required to be maintained at that date.

The Company is exempt from Rule 15c3-3 of the SEC under paragraph (k)(2)(ii) of that rule. Under this exemption, the "Computation for Determination of Reserve Requirements" and "Information Relating to the Possession or Control Requirements" are not required.

**CRAIG-HALLUM CAPITAL GROUP LLC**  
Notes to Statement of Financial Condition  
December 31, 2015

**(9) Related-Party Transactions**

The Company declared and distributed \$3,900,000 to the Member for the year ended December 31, 2015, of which \$1,100,000 was paid on January 14, 2016.

**(10) Subsequent Events**

The Company has evaluated subsequent events through the date this statement of financial condition was available to be issued, which was February 19, 2016.



**CRAIG-HALLUM**  
CAPITAL GROUP LLC

REC'D  
MAY 24 2015  
FBI - NEW YORK  
COMMUNICATIONS SECTION

**CRAIG-HALLUM CAPITAL GROUP LLC**

Financial Statement

December 31, 2015

(With Report of Independent Registered Public Accounting Firm Thereon)



CRAIG-HALLUM  
CAPITAL GROUP LLC



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

SEC  
Mail Processing  
Section

FEB 25 2016

Washington DC  
409

**Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures Pursuant to SEC Rule 17a-5(e)(4)**

The Member  
Craig-Hallum Capital Group LLC:

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 Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2015, which were agreed to by Craig-Hallum Capital Group LLC (the Company) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company'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 in the Company's general ledger, noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2015, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2015, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers (trial balance, schedule of allocated expenses in underwriting income, and SIPC accrual of dividend and interest expense), supporting the adjustments, noting no differences; and
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.

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.

KPMG LLP

Minneapolis, Minnesota  
February 19, 2016

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 12/31/2015
(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:

18\*18\*\*\*\*\*2407\*\*\*\*\*MIXED AADC 220
065407 FINRA DEC
CRAIG-HALLUM CAPITAL GROUP LLC
222 S 9TH ST STE 350
MINNEAPOLIS MN 55402-3380

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.

Jeannie Sonstegard (612) 334-6358

- 2. A. General Assessment (item 2e from page 2) \$ 125,324
B. Less payment made with SIPC-6 filed (exclude interest) ( 66,023 )
Date Paid 7/30/15
C. Less prior overpayment applied ( )
D. Assessment balance due or (overpayment) 59,301
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) \$ 59,301
G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 59,301
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.

Craig-Hallum Capital Group LLC
(Name of Corporation, Partnership or other organization)
Jeannie Sonstegard
(Authorized Signature)
CFO
(Title)

Dated the 2 day of February, 2016.

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 1/1/2015  
and ending 12/31/2015

Item No.

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

Eliminate cents  
\$ 50,622,317

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

23,448

(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.

138,760

(7) Net loss from securities in investment accounts.

162,208

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.~~

564,000

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

90,664

(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):

(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.

\$ 163

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

\$ \_\_\_\_\_

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

163

Total deductions

654,834

2d. SIPC Net Operating Revenues

\$ 50,129,691

2e. General Assessment @ .0025

\$ 125,324

(to page 1, line 2.A.)



CRAIG-HALLUM  
CAPITAL GROUP LLC

## Craig-Hallum Capital Group LLC's Exemption Report

Craig-Hallum Capital Group LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. § 240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3(k): (2) (ii), and
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the year ended December 31, 2015 without exception.

Craig-Hallum Capital Group LLC

I, Jeannie Sonstegard, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

By:

*Jeannie Sonstegard*

Title: Chief Financial Officer

February 19, 2016



KPMG LLP  
4200 Wells Fargo Center  
90 South Seventh Street  
Minneapolis, MN 55402

SEC  
Mail Processing  
Section

FEB 25 2016

Washington DC  
409

**Report of Independent Registered Public Accounting Firm**

The Member  
Craig-Hallum Capital Group LLC:

We have reviewed management's statements, included in the accompanying Craig-Hallum Capital Group LLC's Exemption Report (the Exemption Report), in which (1) Craig-Hallum Capital Group LLC (the Company) identified the following provisions of 17 C.F.R. § 15c3-3 (k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3(k):(2)(ii) (the exemption provisions); and (2) the Company stated that it met the identified exemption provisions throughout the year ended December 31, 2015 without exception. The Company'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 the Company'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)(2)(ii) of Rule 15c3-3 under the Securities Exchange Act of 1934.

**KPMG LLP**

Minneapolis, Minnesota  
February 19, 2016