SCOTIA CAPITAL (USA) INC.

(A Wholly Owned Subsidiary of Scotia Capital Inc.)

Statement of Financial Condition

As of April 30, 2016

(Unaudited)

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Assets

Cash and cash equivalents	$	56,521,902
Cash on deposit with clearing organizations		348,712,264
Securities segregated under federal and other regulations		188,836,855
Receivable from brokers, dealers, and clearing organizations		206,312,843
Deposits paid for securities borrowed		10,677,180,545
Securities received as collateral, at fair value		1,178,213,890
Securities purchased under agreements to resell		728,254,504
Receivable from customers		42,643,617
Securities owned, at fair value		913,345,273
Accrued fees and interest receivable		38,204,402
Furniture, equipment, and leasehold improvements, at cost, net of accumulated depreciation and amortization of $689,256		2,066,041
Goodwill		72,304,509
Receivable from affiliates		33,773,819
Other assets		15,472,677
Total assets	$	14,501,843,141

Liabilities and Stockholder's Equity

Liabilities:		
Payable to brokers, dealers, and clearing organizations	$	95,518,409
Deposits received for securities loaned		5,655,715,578
Obligation to return securities received as collateral, at fair value		1,178,213,890
Bank loan payable		1,279,035,918
Securities sold under agreements to repurchase		4,146,580,655
Payable to customers		116,965,821
Securities sold, not yet purchased, at fair value		749,134,166
Payable to affiliates		282,700,717
Accounts payable, accrued expenses, and other liabilities		56,622,896
Accrued fees and interest payable		9,945,612
		13,570,433,662
Commitments and contingencies		
Subordinated borrowings		300,000,000
Stockholder's equity:		
Common stock par value, $10 per share. Authorized, issued, and outstanding 3,000 shares		30,000
Additional paid-in capital		147,469,302
Retained earnings		483,910,177
Total stockholder's equity		631,409,479
Total liabilities and stockholder's equity	$	14,501,843,141

See accompanying notes to financial statements.

(1) Organization

Scotia Capital (USA) Inc. (the Company) is a wholly owned subsidiary of Scotia Capital Inc. (the Parent), a Canadian investment dealer whose ultimate parent is the Bank of Nova Scotia (the Ultimate Parent). The Company is a registered broker and dealer in securities with the U.S. Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934 and is a Futures Commission Merchant registered with the Commodities Futures Trading Commission (CFTC). The Company is also a member of the Financial Industry Regulatory Authority (FINRA), the Options Clearing Corp (OCC), the New York Stock Exchange as well as other Exchanges and the National Futures Association (NFA). The Company's primary business activities are corporate debt and equity underwriting, securities borrow and loan, trading in Canadian and U.S. securities on a receive versus payment and delivery versus payment (RVP/DVP) basis and brokerage activities with a diverse group of domestic and foreign corporations, governments, and institutional investors.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company's financial statements are prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP), which requires management to make estimates and assumptions that may affect the amounts reported in the financial statements and accompanying notes. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates, including the fair value of financial instruments, valuation of deferred tax assets, and litigation reserves, are, by their nature, based on judgment and available information and, therefore, may vary from actual results. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. While management makes its best judgment, actual amounts or results could differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held in banks.

(c) Collateralized Financing Transactions

Securities borrowed and securities loaned transactions are reported as collateralized financings. Securities borrowed and loaned result from transactions with other broker-dealers or financial institutions and are recorded at the amount of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or other collateral in an amount in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Securities sold under agreements to repurchase and securities purchased under agreements to resell are treated as collateralized financing transactions. The agreements provide that the transferor will receive substantially the same securities in return at the maturity of the agreement and that the transferor will obtain from the transferee sufficient cash or collateral to purchase such securities during the term of the agreement. The liabilities and assets which result from these agreements are

(Continued)

recorded in the accompanying statement of financial condition at the contract price plus accrued interest. Where such agreements are entered into to finance or borrow securities that form part of the Company's securities inventory, the market values of the related securities are included in securities owned or securities sold, not yet purchased, respectively.

(d) Financial Instruments

Securities owned and securities sold, but not yet purchased are recorded at fair value in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 820, *Fair Value Measurements and Disclosures*.

Amounts receivable and payable for regular-way securities transactions that have not yet reached their contractual settlement date are recorded net on the statement of financial condition.

(e) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as the estimated future tax consequences attributable to net operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained in accordance with ASC 740-10, *Accounting for Uncertainty in Income Taxes.* Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

(f) Furniture, Equipment, and Leasehold Improvements

Depreciation and amortization of furniture, equipment, and leasehold improvements are provided on a straight-line basis with first and last year half-year convention over the useful lives of the related assets.

(g) Goodwill

Goodwill is the excess of purchase price over the fair value of net identifiable assets acquired. Goodwill is reviewed for impairment annually, or whenever events or circumstances suggest that it may be more likely than not that a reduction of fair value of the reporting unit below its carrying amount has occurred. The Company performs its annual test of impairment of goodwill on the last business day of October in order to align the timing with year-end financial reporting.

On November 1, 2012, the Parent contributed all of its interests in Howard Weil to the Company. As a result of the contribution, the Company recorded goodwill in the amount of $72.3 million, which was previously recognized by the Parent as a result of its acquisition of Howard Weil in April of 2012.

The Company identified two reporting units in accordance with ASC 350, the Howard Weil reporting unit and the Scotia Capital (USA) Inc. reporting unit. The entire goodwill balance was assigned to the Howard Weil reporting unit. Goodwill impairment tests involve judgments in determining the estimate of future cash flows, discount rates, long-term growth rates, economic forecasts and other assumptions. The Company performed its goodwill impairment test as of October 31, 2015 and determined that there was no impairment.

(h) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606), provides comprehensive guidance on the recognition of revenue from contracts with customers arising from the transfer of goods and services. The new guidance creates a common revenue recognition standard across all industries and requires new disclosures. ASU No. 2014-09 is effective for annual reporting periods beginning after December 15, 2016 and early adoption is not permitted. Therefore, this guidance is effective for the Company beginning January 1, 2017. The Company is evaluating the effect of this new guidance on its financial statements.

(3) Related-Party Transactions

Included in the accompanying statement of financial condition are securities purchased under agreements to resell is $202,881,004 with the Ultimate Parent. Included in Securities sold under agreements to repurchase is $561,976,525 with the Ultimate Parent.

Included in the accompanying statement of financial condition are securities owned of $110,358,905 of the Ultimate Parent’s Corporate Debt and $19,553,880 of securities sold under agreements to repurchase of the Ultimate Parent’s Corporate Debt. These amounts are also included in the securities owned and securities sold, not yet purchased note below.

Included in the accompanying statement of financial condition are the following related party balances:

Description	Parent	Ultimate Parent	Affiliates
Payable to brokers, dealers, and clearing organizations	$ 19,857,169	-	-
Deposits received for securities loaned	1,624,961,028	58,446,754	63,675,843
Total	$ 1,644,818,197	58,446,754	63,675,843

Description	Parent	Ultimate Parent	Affiliates
Receivable from brokers, dealers, and clearing organizations	$ 44,993,591	-	-
Deposits paid for securities borrowed	5,258,213,177	2,043,764,154	1,263,937
Total	$ 5,303,206,768	2,043,764,154	1,263,937

(4) Receivable from and Payable to Brokers, Dealers, and Clearing Organizations

Amounts receivable from and payable to brokers, dealers, and clearing organizations at April 30, 2016 consist of the following:

	Receivable	Payable
Securities failed to deliver/receive	$ 143,723,538	87,300,491
Receivable from/payable to brokers and dealers	62,589,305	8,217,918
	$ 206,312,843	95,518,409

(5) Financing Transactions

Securities borrowed transactions require the Company to deposit cash or securities with the lender. With respect to securities loaned, the Company receives collateral in the form of cash or securities in an amount in excess of the market value of the securities loaned. In transactions where the Company acts as a lender in a securities lending agreement and receives securities that can be pledged or sold as collateral, it recognizes an asset on the statement of financial condition, representing the securities received at fair value, and a liability for the same amount at fair value, representing the obligation to return these securities. The fair value of securities borrowed where cash has been deposited with the lender was $10,580,265,481 and the fair value of securities loaned where cash has been received from the borrower was $5,438,139,830. In securities purchased under agreements to resell transactions, the fair value of collateral purchased is $736,839,420 with the agreement to resell at $728,254,504 at April 30, 2016. In securities sold under agreements to repurchase transactions, the fair value of collateral sold is $4,477,693,928 with the agreement to repurchase at $4,146,580,655 at April 30, 2016. In security for security transactions, the fair value of securities borrowed was $3,401,174,822 and securities loaned $3,408,927,828 at April 30, 2016. At April 30, 2016 the Ultimate Parent guaranteed $1,200,000,000 in financing transactions with external counterparties.

The following tables present the gross and net resale and repurchase agreements and securities borrowing and lending agreements and the related offsetting amount permitted under ASC 210-20-45, as of April 30, 2016. The tables also include amounts related to financial instruments that are not permitted to be offset under ASC 210-20-45 but would be eligible for offsetting to the extent that an event of default occurred and a legal opinion supporting enforceability of the offsetting rights has been obtained.

		Securities purchased under agreements to resell	Deposits paid for securities borrowed	Total
Gross amounts of recognized assets	$	728,254,504	10,677,180,545	11,405,435,049
Gross amounts offset on the Balance Sheet		-	-	-
Net amounts of assets included on the Balance Sheet		728,254,504	10,677,180,545	11,405,435,049
Amounts not offset on the Balance Sheet but eligible for offsetting upon counterparty default		-	-	-
Net amounts		728,254,504	10,677,180,545	11,405,435,049

		Securities sold under agreements to repurchase	Deposits paid for securities loaned	Total
Gross amounts of recognized liabilities	$	4,146,580,655	5,655,715,578	9,802,296,233
Gross amounts offset on the Balance Sheet		-	-	-
Net amounts of liabilities included on the Balance Sheet		4,146,580,655	5,655,715,578	9,802,296,233
Amounts not offset on the Balance Sheet but eligible for offsetting upon counterparty default		-	-	-
Net amounts		4,146,580,655	5,655,715,578	9,802,296,233

The following table presents the gross amount of assets associated with repurchase agreements and securities lending agreements, by remaining contractual maturity as of April 30, 2016:

	Open and Overnight	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities purchased under agreements to resell $	728,254,504	-	-	-	728,254,504
Deposits paid for securities borrowed	10,081,200,109	306,397,796	-	289,582,640	10,677,180,545
Total	10,809,454,613	306,397,796	-	289,582,640	11,405,435,049

The following table presents the gross amount of assets associated with repurchase agreements and securities lending agreements, by class of underlying collateral as of April 30, 2016:

	Reverse Repurchase Agreements	Securities Borrowing Agreements	Total
US Treasury	$ 728,254,504	-	728,254,504
Corporate Bond	-	2,375,649,645	2,375,649,645
Equity	-	7,657,239,753	7,657,239,753
Foreign Government	-	101,689,807	101,689,807
State and Municipal		199,953,439	199,953,439
Asset Backed	-	335,270,000	335,270,000
Other	-	7,377,900	7,377,900
Total	728,254,504	10,677,180,544	11,405,435,048

The following table presents the gross amount of liabilities associated with repurchase agreements and securities lending agreements, by remaining contractual maturity as of April 30, 2016:

	Open and Overnight	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities sold under agreements to repurchase $	2,704,970,702	-	1,141,609,953	300,000,000	4,146,580,655
Deposits received for securities loaned	5,467,222,088	188,493,490	-	-	5,655,715,578
Total	8,172,192,790	188,493,490	1,141,609,953	300,000,000	9,802,296,233

The following table presents the gross amount of liabilities associated with repurchase agreements and securities lending agreements, by class of underlying collateral as of April 30, 2016:

	Repurchase Agreements	Securities Lending Agreements	Total
US Treasury	$ 561,976,526	-	561,976,526
Corporate Bond	2,228,604,129	136,230,905	2,364,835,034
Equity	825,000,000	5,514,451,046	6,339,451,046
Foreign Government	-	375,550	375,550
Asset Backed	331,000,000	-	331,000,000
State and Municipal	200,000,000	-	200,000,000
Other	-	4,658,077	4,658,077
Total	4,146,580,655	5,655,715,578	9,802,296,233

(6) Securities Owned and Securities Sold, Not Yet Purchased

Securities owned and securities sold, not yet purchased, consist of trading securities carried at fair value as follows:

	Owned	Sold, not yet purchased
U.S. and Canadian government obligations	$ 95,877,788	155,854,522
Canadian provincial obligations	44,710,712	16,936,910
Corporate debt obligations	652,277,539	367,648,245
Common stock	15,504,643	116,269,499
Other foreign government obligations	104,974,591	92,424,990
	$ 913,345,273	749,134,166

(7) Credit Facility

As of April 30, 2016, the Company had bank loans with the Ultimate Parent amounting to $1.28 billion. In addition, the Company had unused credit facilities of $811million with the Ultimate Parent.

(8) Subordinated Borrowings

On May 28, 2010, the Company entered into a revolving note and cash subordination agreement (the note) with an affiliate of the Ultimate Parent, amounting to $250,000,000, which was increased to $750,000,000 on February 1, 2011. The note is covered by an agreement approved by the FINRA, and is thus available in computing net capital under the SEC’s uniform net capital rule. The note is scheduled to mature on May 31, 2017 and $300,000,000 was outstanding at April 30, 2016.

(9) Employee Benefit Plans

The Company maintains a 401(k) salary deferral and profit sharing plan (the 401(k) plan) covering substantially all employees. Employees are permitted within limitations imposed by tax law to make pretax contributions to the 401(k) plan pursuant to salary reduction agreements. The Company matches the employee’s contributions up to a maximum of 4.5% of the employee’s salary.

(10) Commitments and Contingencies

The Ultimate Parent provides the Company with office space under an agreement, expiring in 2024, whereby the Company is committed to pay minimum total obligations of $35,024,743.

The Company also leases office space in New Orleans and Houston under operating leases. The Company's future minimum lease commitments under these operating leases as of April 30, 2016 are as follows:

2016	$	2,116,866
2017		4,168,671
2018		4,054,102
2019		4,018,668
2020		3,807,766
Thereafter		17,810,446
	$	35,976,519

In the normal course of business, the Company, from time to time, may be named as a defendant in litigation actions relating to its underwriting business. After reviewing these actions with its counsel, management does not believe that the outcome of such actions will have any material effect on its financial position or results of its operations.

(11) Regulatory Requirements

The Company is a registered broker dealer and registered futures commission merchant and, accordingly, is subject to the net capital requirements of SEC Rule 15c3 1 (SEC Net Capital Rule), FINRA and Regulation 1.17 of the Commodity Exchange Act (CFTC Rule). The Company has elected to use the alternative method permitted by the SEC Net Capital Rule, which requires that it maintain minimum net capital of the greater of $1,500,000 or 2% of aggregate debit items arising from customer transactions, plus excess margin collateral on reverse repurchase agreements or the CFTC Rule requirement representing the sum of 8% of customer risk maintenance margin requirement and 8% of non-customer risk maintenance margin requirement, as defined. FINRA may require a member firm to reduce its business if net capital is less than 4% of such aggregate debit items and may prohibit a firm from expanding its business if net capital is less than 5% of such aggregate debit items. In addition, the Company is subject to certain notification requirements related to withdrawals of excess net capital. At April 30, 2016, the Company's net capital was $489,685,683 which was $451,490,287 in excess of its required net capital of $38,195,396 as of April 30, 2016.

The SEC may by order restrict, for a period of up to 20 business days, any withdrawal by a broker-dealer of equity capital, as defined, if such withdrawal when aggregated with all other withdrawals of equity capital on a net basis during a 30-calendar-day period exceeds 30% of the broker-dealer's net capital or if the SEC determines that such withdrawal would be detrimental to the financial integrity of the broker-dealer or the financial community.

The Company is also subject to the SEC's Customer Protection Rule (15c3-3) which requires, under certain circumstances, that cash or securities be deposited into a special reserve bank account for the exclusive benefit of customers. As of April 30, 2016, the Company had qualified securities in the amount of $183,838,707 segregated in the special reserve bank account, which is recorded in the accompanying statement of financial condition in Securities segregated under federal and other regulations.

In accordance with SEC Rule 15c3-3, the Company computed a reserve for the proprietary accounts of broker dealers (PAB). As of April 30, 2016, the Company had qualified securities in the amount of $4,998,148 on deposit in a reserve bank account, which is recorded in the accompanying statement of financial condition in Securities segregated under federal and other regulations.

(12) Income Taxes

The Company provides for income taxes in accordance with the asset and liability method of accounting and recognizes deferred income taxes for the expected future tax consequences of differences in the book and tax basis of assets and liabilities.

At April 30, 2016, the deferred tax assets of $12,005,131 were composed of temporary differences due to deferred compensation accruals and depreciation expenses. Although realization is not assured for the above deferred tax assets, management has not recorded a valuation allowance against its deferred tax assets as management believes it is more likely than not that they will be realized through future taxable earnings.

At April 30, 2016 the deferred tax liability of $7,632,093 was composed of temporary differences due to the tax effect of non-depreciable goodwill and trademarks from the Parent’s contribution of Howard Weil to the Company.

The Company remains open to Federal, New York State and New York City examinations for the years ended 2013, 2014 and 2015.

The Company does not anticipate any settlements that would result in a material change to the financial statements.

(13) Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 applies only to fair value measurements already required or permitted by other accounting standards and does not impose requirements for additional fair value measures. Pursuant to ASC 820, the fair value of a financial instrument is defined as the amount that would be received to sell an asset or paid to transfer a liability, or the “exit price,” in an orderly transaction between market participants at the measurement date.

The Company’s securities owned and securities sold, but not yet purchased, are recorded at fair value on a recurring basis.

ASC 820 defines fair value, establishes a framework for measuring fair value using a three level hierarchy for fair value measurements based upon the market observability and reliability of inputs used to value assets and liabilities, and requires enhanced disclosures about fair value measurements. ASC 820 does not dictate when fair values should be the basis to account for a financial asset or liability, nor does it prescribe which valuation technique should be used. Rather, ASC 820 requires an entity to choose appropriate valuation techniques based upon market conditions, and the availability, reliability, and observability of valuation inputs.

Fair Value Hierarchy

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure an asset or a liability fall to different levels within the hierarchy, the classification of the entire asset or liability will be based on the lowest level input that is significant to the overall fair value measurement of the asset or liability. The Company categorizes assets and liabilities based on the inputs to the valuation techniques used to measure fair value as follows:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions would reflect the Company's own estimates of assumptions that market participants would use in pricing the asset or liability. Such valuation techniques include the use of option pricing models, discounted cash flow models, and similar techniques.

The following table represents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of April 30, 2016:

	Level 1	Level 2	Level 3	Total
Assets:				
U.S. and Canadian government obligations	$ 95,877,788			95,877,788
Canadian provincial obligations		44,710,712		44,710,712
Corporate debt obligations		652,277,539		652,277,539
Common stock	15,504,643			15,504,643
Other foreign government obligations		104,974,591		104,974,591
Total securities owned	111,382,431	801,962,842	—	913,345,273
Securities segregated under federal and other regulations	188,836,855			188,836,855
Securities received as collateral	1,103,104,232	75,109,658		1,178,213,890
Total assets at fair value	$ 1,403,323,518	877,072,500	—	2,280,396,018
Liabilities:				
U.S. and Canadian government obligations	$ 155,854,522			155,854,522
Canadian provincial obligations		16,936,910		16,936,910
Corporate debt obligations		367,648,245		367,648,245
Common stock	116,269,499			116,269,499
Other foreign government obligations		92,424,990		92,424,990
Total securities sold, not yet purchased	272,124,021	477,010,145	—	749,134,166
Obligation to return securities received as collateral	1,103,104,232	75,109,658		1,178,213,890
Total liabilities at fair value	$ 1,375,228,253	552,119,803	—	1,927,348,056

The fair value of the Company's securities was determined using a variety of sources as follows:

For common stock, fair value was determined by the closing price of the primary exchanges and is included in Level 1 for those that are actively traded.

For U.S. and Canadian government, Canadian provincial, Corporate debt, and other foreign government obligations, the primary source for pricing is derived from dealer and broker quotes and is included in Levels 1 and 2, respectively.

There were no significant transfers in or out of Levels 1, 2 or 3.

(14) Off-Balance-Sheet Credit Risk

As a securities broker and dealer, the Company is engaged in securities trading and brokerage activities with a diverse group of domestic and foreign corporations, governments, and institutional investors, including other brokers and dealers, commercial banks, insurance companies, pension plans, mutual funds, and other financial institutions. The Company's customer securities activities are processed on a delivery versus payment and receipt versus payment basis. The Company records these transactions on a settlement-date basis, which is generally one business day for U.S. government securities transactions and three business days for equity and debt securities transactions.

As a result, the Company is exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of the contracts, in which case, the Company may be required to purchase or sell the underlying securities at prevailing market prices. In connection with the Company's customer and proprietary financing and securities settlement activities, the Company pledges securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contracted obligation to return securities pledged as collateral, the Company may be exposed to the risk of acquiring securities at prevailing market prices in order to satisfy its obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. At April 30, 2016, the market value of securities pledged under these secured financing transactions approximated the amount due, which is recorded as securities loaned in the statement of financial condition.

As a securities broker and dealer, the Company is engaged in various securities trading and brokerage activities as principal. In the normal course of business, the Company has sold securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. The Company has recorded this $749,134,166 obligation in the accompanying financial statements at the April 30, 2016 fair value of the related securities. The Company will incur a trading loss on the securities if the market price increases, and a trading gain if the market price decreases subsequent to April 30, 2016. In security sales transactions, the Company is subject to risk if the security is not received and the market value has increased over the contract amount of the transaction.

As a securities broker and dealer, the Company is engaged in various securities trading activities and substantially all of the Company's financial assets and liabilities are carried at or approximate fair value.

(15) Subsequent Events

The Company has evaluated subsequent events for potential recognition and or disclosure through June 29, 2016, when these financial statements were issued, noting none.