Duncan-Williams, Inc.

Audited Financial Statements

December 31, 2017, 2016 and 2015

Duncan-Williams, Inc.

Index

December 31, 2017, 2016 and 2015

DHG
DIXON HUGHES GOODMAN LLP

Report of Independent Registered Public Accounting Firm

To the shareholders and the board of directors of Duncan-Williams, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of financial condition of Duncan-Williams, Inc. (the "Company") as of December 31, 2017, 2016 and 2015, and the related statements of operations, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes and schedules (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, 2016 and 2015, and the results of its operations and its cash flows of the years in the three-year period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S federal securities laws and the applicable rules and regulation of the Securities and Exchange Commissions and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Dixon Hughes Goodman LLP

Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2008.

Memphis, Tennessee
February 19, 2018

Duncan-Williams, Inc.

Statements of Financial Condition

December 31, 2017, 2016 and 2015

	2017	2016	2015
Assets			
Cash	$ 390,084	$ 704,066	$ 264,094
Cash segregated under federal regulations	100,002	99,932	99,977
Receivables from brokers or dealers and clearing organization	546,198	415,509	370,591
Securities owned, at fair value	71,462,424	72,106,478	58,416,987
Furniture, equipment and leasehold improvements, net	319,880	425,824	537,314
Other Assets:			
Accrued interest on securities owned	263,812	114,630	274,760
Commissions, claims, and other receivables, net	1,715,705	203,850	344,183
Deferred income taxes	321,900	511,600	866,300
Other receivables and miscellaneous	671,448	805,459	545,625
	$ 75,791,453	$ 75,387,348	$ 61,719,831

See accompanying notes to financial statements.

Duncan-Williams, Inc.

Statements of Financial Condition (continued)

December 31, 2017, 2016 and 2015

	2017	2016	2015
Liabilities and Stockholders' Equity			
Liabilities:			
Bank loan payable	$ 2,300,000	$ 2,650,000	$ -
Payables to brokers or dealers and clearing organization	15,015,406	22,366,158	12,415,328
Payable to customers	-	57,588	-
Securities sold, not yet purchased, at fair value	27,811,626	18,763,263	19,215,666
Other Liabilities:			
Accounts payable	268,276	355,008	260,576
Deferred income taxes	38,200	95,100	164,000
Accrued expenses and other	2,837,141	3,894,022	3,412,236
	48,270,649	48,181,139	35,467,806
Stockholders' Equity:			
Common stock:			
Class A (nonvoting) - authorized, 1,000,000 shares, issued and outstanding December 31, 2017 at 744,725 shares December 31, 2016 at 744,725 shares December 31, 2015 at 743,475 shares with a par value of $10 a share	7,447,250	7,447,250	7,434,750
Class B (voting) - authorized, 6,000 shares, issued and outstanding 1,307 shares with par value of $1 a share	1,307	1,307	1,307
Additional paid-in capital	2,383,345	2,383,345	2,351,500
Retained earnings	17,688,902	17,374,307	16,464,468
	27,520,804	27,206,209	26,252,025
	$ 75,791,453	$ 75,387,348	$ 61,719,831

See accompanying notes to financial statements.

Duncan-Williams, Inc.

Statements of Operations

For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
Revenues			
Commissions earned	$ 37,885	$ 46,764	$ 76,151
Other commissions	296,335	288,224	379,128
Gains from trading in debt securities	22,665,424	29,080,900	27,695,993
Gains from all other trading			
Profits from underwriting	1,859,318	1,980,476	2,509,403
Margin interest	30,775	34,217	31,491
Revenue from sale of investment company shares	333,922	304,319	308,466
Fees for account supervision	136,480	169,041	20,059
Revenue from research services	-	44	525
Commodities loss	(80,613)	(18,380)	(118,772)
Other revenue related to securities	1,152,914	1,814,396	2,345,481
Other	266,928	193,035	250,878
	26,699,368	33,893,036	33,498,803
Expenses			
Registered representatives' compensation	15,555,872	20,529,831	19,814,615
Clerical and administrative employees' compensation	1,846,061	1,809,205	1,753,278
Stockholder compensation	857,737	1,363,968	1,284,744
Clearance paid to brokers	540,081	604,450	595,331
Communications	2,566,607	2,556,373	2,366,702
Occupancy and equipment rental	853,315	942,481	1,177,919
Promotional	1,455,326	1,543,199	1,501,665
Interest	370,800	386,709	314,397
Losses in error	2,242	3,603	3,680
Data processing costs	427,740	421,813	406,640
Regulatory fees	333,460	387,140	483,016
Other	1,281,301	1,297,899	1,497,608
	26,090,542	31,846,671	31,199,595
Income from continuing operations before federal and state income tax expense	608,826	2,046,365	2,299,208
Federal and state income tax expense	294,231	764,163	967,925
Income from continuing operations	314,595	1,282,202	1,331,283
Loss from discontinued operations, net of tax	-	-	(417,756)
Net income	$ 314,595	$ 1,282,202	$ 913,527

See accompanying notes to financial statements.

Duncan-Williams, Inc.

Statements of Changes in Stockholders' Equity

For the Years Ended December 31, 2017, 2016 and 2015

	Common Stock				Additional		Treasury Stock		
		Class A		Class B	Paid-In	Retained			
	Shares	Nonvoting	Shares	Voting	Capital	Earnings	Shares	Amount	Total
Balance at January 1, 2015	745,475	$ 7,497,250	1,307	$ 1,307	$ 2,462,682	$ 15,605,122	4,250	$ (158,381)	$ 25,407,980
Purchase of treasury stock	(2,000)	-	-	-	-	-	2,000	(69,482)	(69,482)
Retirement of treasury stock	-	(62,500)	-	-	(111,182)	(54,181)	(6,250)	227,863	-
Net Income	-	-	-	-	-	913,527	-	-	913,527
Balance at December 31, 2015	743,475	7,434,750	1,307	1,307	2,351,500	16,464,468	-	-	26,252,025
Issuance of stock	1,250	12,500	-	-	31,845	-	-	-	44,345
Dividends paid	-	-	-	-	-	(372,363)	-	-	(372,363)
Net Income	-	-	-	-	-	1,282,202	-	-	1,282,202
Balance at December 31, 2016	744,725	7,447,250	1,307	1,307	2,383,345	17,374,307	-	-	27,206,209
Net Income	-	-	-	-	-	314,595	-	-	314,595
Balance at December 31, 2017	744,725	$ 7,447,250	1,307	$ 1,307	$ 2,383,345	$ 17,688,902	-	$ -	$ 27,520,804

See accompanying notes to financial statements.

Duncan-Williams, Inc.

Statements of Cash Flows

For the Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
Cash Flows from Operating Activities:			
Net income	$ 314,595	$ 1,282,202	$ 913,527
Loss on discontinued operations	-	-	417,756
Adjustments to reconcile net income to net cash provided by (used in) operations			
Provision for doubtful accounts	-	-	15,275
Depreciation	84,709	124,286	180,683
Deferred income taxes	132,800	285,800	7,400
Loss (gain) on equipment disposals	21,235	(481)	10,975
Changes in assets and liabilities:			
Cash segregated under federal regulations	(70)	45	(49,988)
Commissions, claims and other receivables	-	-	53,706
Receivable from/payable to brokers or dealers and clearing organization	(7,481,441)	9,905,912	15,265,938
Customer partially-secured receivable and payables	(57,588)	57,587	-
Securities owned, at fair value	644,054	(13,689,491)	(13,788,925)
Accrued interest, commissions and claims	(149,182)	160,130	(45,264)
Other receivables and miscellaneous	41,049	(80,435)	557,451
Securities sold, not yet purchased, at fair value	9,048,364	(452,404)	(3,212,431)
Accounts payable, accrued expenses and other liabilities	(1,143,614)	576,220	69,199
Net cash provided by (used in) operating activities - continuing operations	1,454,911	(1,830,629)	395,302
Net cash used in operating activities - discontinued operations	-	-	(717,726)
Cash Flows from Investing Activities:			
Furniture, equipment and leasehold improvements purchases	-	(12,797)	(94,995)
Proceeds from sales of equipment	-	481	-
Advances on notes receivable agreements	(1,505,000)	(169,070)	(155,393)
Payments on notes receivable agreements	86,107	130,005	265,319
Net cash provided by (used in) investing activities - continuing operations	(1,418,893)	(51,381)	14,931
Net cash provided by investing activities - discontinued operations	-	-	315,000
Cash Flows from Financing Activities:			
Proceeds from bank loan payable	-	2,650,000	-
Payments on bank loan payable	(350,000)	-	-
Issuance of common stock	-	44,345	-
Purchase of treasury stock	-	(372,363)	(69,482)
Net cash provided by (used in) in financing activities	(350,000)	2,321,982	(69,482)
Increase (decrease) in cash	(313,982)	439,972	(61,975)
Cash at beginning of year	704,066	264,094	326,069
Cash at end of year	$ 390,084	$ 704,066	$ 264,094
Supplemental disclosures of cash flow information:			
Interest paid	$ 370,800	$ 386,709	$ 305,346
Federal and state income tax paid (refunded)	$ 141,128	$ 784,451	$ (276,460)

See accompanying notes to financial statements.

Duncan-Williams, Inc.

Notes to Financial Statements

December 31, 2017, 2016 and 2015

1. Operations and Organization

Nature of Business

Duncan-Williams, Inc., (the "Company") a Tennessee Corporation, is a securities full service broker-dealer operating under provisions of the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). Customers' funds and securities are protected to the limits provided by the Securities Investor Protection Corporation.

The Company operates primarily as a principal in transactions for the purchase and sale of various types of debt securities, which include: obligations of the United States government, federal government agencies, various state and local governments and corporate debt. The Company also acts as agent for customers in acquiring certificates of deposits, mutual funds and private placement of mortgage loans.

The Company's securities transactions are made primarily with individuals, financial institutions, credit unions, private organizations and other broker-dealers. Safekeeping services for customer securities are provided by Pershing Clearing Services ("Pershing") on a fully disclosed basis. These securities are segregated in accordance with rules and regulations of the Securities and Exchange Commission ("SEC") which limits claims only to the owners of such securities.

Discontinued Operations

During the year ended December 31, 2014 the Company chose to sell a division. The private client group was sold to a related party in a transaction that was completed during the year ended December 31, 2015. Assets were sold under a contingent asset purchase agreement. No value has been recognized in the current year due to the contingency. Revenues from discontinued operations were $334,620 for the year ended December 31, 2015.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities Transactions

Purchases and sales of securities and related commission revenues and expenses are recorded on a trade date basis.

Fair Value of Financial Instruments

Certain assets and liabilities are recognized, on a recurring or nonrecurring basis, at fair value. Fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability under a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Derivative Financial Instruments

Derivative financial instruments used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices. Fair values for over-the-counter ("OTC") derivative financial instruments, principally swaps, are based on pricing models intended to approximate the amounts that would be received from or paid to a third party in settlement of the contracts. Factors taken into consideration in estimating fair value of OTC derivatives include credit spreads, market liquidity, concentrations, and funding and administrative costs incurred over the life of the instruments.

Unrealized gains or losses on these derivative contracts are recognized currently in the statement of operations as other revenue related to securities. The Company does not apply hedge accounting as financial instruments are marked to market with changes in fair values reflected in earnings. Therefore, the disclosures required in hedge accounting are generally not applicable with respect to these financial instruments. The fair value of futures contracts is recorded in receivable/payable to broker or dealer and clearing organization.

2. Summary of Significant Accounting Policies (continued)

Securities Owned and Securities Sold, Not Yet Purchased

Marketable securities, consisting of corporate bonds, state, municipal, United States and agency obligations are recorded at fair value. Unrealized gains and losses have been included in income from trading on a trade date basis.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Depreciation is computed by the straight-line method over the estimated useful lives of the assets, which range from three to ten years. Ordinary expenditures for maintenance and repair costs are expensed as incurred while major additions and improvements are capitalized.

Long Lived Assets

The Company records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. There were no indicators of impairment at December 31, 2017, 2016 or 2015.

Income Taxes

The Company files a separate return as a member of a controlled group and accounts for income taxes under the liability method whereby deferred tax assets and liabilities are determined based on differences between amounts reported for financial reporting purposes and income tax purposes and based on enacted tax rates and laws that will be in effect when the differences are expected to reverse. Income tax expense/benefit is the current tax payable/refundable for the year plus or minus the net change in the deferred income tax assets and liabilities. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Tax positions must meet a recognition threshold of more-likely-than-not in order for the benefit of those tax positions to be recognized in the Company's financial statements. The Company has determined that it does not have any material unrecognized tax positions as of December 31, 2017, 2016 and 2015. Interest and penalties related to income tax assessments, if any, are reflected in income taxes in the accompanying statements of operations.

2. Summary of Significant Accounting Policies (continued)

Profits or Losses from Underwriting

Profits or losses from underwriting includes gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Sales concessions are recorded on settlement date and underwriting fees at the time the underwriting is completed and the income or loss is reasonably determinable.

Advertising

The costs of general advertising, promotion and marketing programs are expensed as incurred, and approximated $643,170, $731,878 and $657,719 for the years ended December 31, 2017, 2016 and 2015, respectively.

Subsequent Events

The Company has evaluated the effect subsequent events would have on the financial statements through February 19, 2018, which was the date the financial statements were issued.

3. Fair Value Measurements

Prices for certain U.S. government and agency obligations are readily available in the active markets in which those securities are traded, and the resulting fair values are categorized as Level 1.

Level 2 investment securities include certain U.S. government and agency obligations, corporate debt obligations, state and municipal obligations and certain types of certificates of deposits for which quoted prices are not available in active markets for identical instruments. The Company utilizes a third party pricing service to determine the fair value of each of these investment securities. Because quoted prices in active markets for identical assets are not available, these prices are determined using observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics.

Level 3 investment securities include certain municipal securities that are in technical default. They are valued based on anticipated refinanced proceeds available under current cash flows of the underlying assets reduced for any contingent payments anticipated to refinance.

3. Fair Value Measurements (continued)

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at December 31, 2017, 2016, and 2015.

	Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Securities owned:				
U.S. government and agency obligations	$ -	$ 54,691,865	$ -	$ 54,691,865
Corporate obligations	-	1,535,334	-	1,535,334
State and municipal obligations	-	11,445,251	3,492,333	14,937,584
Other securities	-	297,641	-	297,641
Total	$ -	$ 67,970,091	$ 3,492,333	$ 71,462,424
Liabilities				
Securities sold, not yet purchased:				
U.S. government and agency obligations	$ 25,655,850	$ 2,155,776	$ -	$ 27,811,626
Total	$ 25,655,850	$ 2,155,776	$ -	$ 27,811,626

	Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Securities owned:				
U.S. government and agency obligations	$ -	$ 64,858,977	$ -	$ 64,858,977
Corporate obligations	-	45,877	-	45,877
State and municipal obligations	-	3,348,736	3,258,722	6,607,458
Other securities	-	594,166	-	594,166
Total	$ -	$ 68,847,756	$ 3,258,722	$ 72,106,478
Liabilities				
Securities sold, not yet purchased:				
U.S. government and agency obligations	$ 16,663,262	$ 2,100,001	$ -	$ 18,763,263
Total	$ 16,663,262	$ 2,100,001	$ -	$ 18,763,263

3. Fair Value Measurements (continued)

	Fair Value as of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Securities owned:				
U.S. government and agency obligations	$ -	$ 40,988,138	$ -	$ 40,988,138
Corporate obligations	-	1,193,438	-	1,193,438
State and municipal obligations	-	15,063,388	368,935	15,432,323
Other securities	-	803,088	-	803,088
Total	$ -	$ 58,048,052	$ 368,935	$ 58,416,987
Liabilities				
Securities sold, not yet purchased:				
U.S. government and agency obligations	$ 15,047,129	$ 3,936,850	$ -	$ 18,983,979
Corporate obligations	-	226,575	-	226,575
Other security or commodity obligations	-	5,112	-	5,112
Total	$ 15,047,129	$ 4,168,537	$ -	$ 19,215,666

There were no changes during the years ended December 31, 2017, 2016 and 2015, to the Company's valuation techniques used to measure asset and liability fair values on a recurring basis.

The following is a reconciliation of beginning and ending balances for Level 3 assets and liabilities:

Fair value at January 1, 2015	$ -
Acquisitions	368,935
Fair value at December 31, 2015	368,935
Acquisitions	3,248,000
Less payment received	(360,265)
Change in unrealized gains	2,052
Fair value at December 31, 2016	3,258,722
Acquisitions	50,609
Less payment received	(350,000)
Change in unrealized gains	533,002
Fair value at December 31, 2017	$ 3,492,333

3. Fair Value Measurements (continued)

The determination of fair value incorporates various factors including not only the credit standing of the counterparties involved, but also the Company's nonperformance risk or its liabilities.

4. Cash and Securities Segregated Under Federal Regulations

In accordance with provisions of Rule 15c3-3 of the SEC, at December 31, 2017, 2016 and 2015, cash of $100,002, $99,932, and $99,977, respectively, has been segregated in special accounts. The amount required to be on deposit at December 31, 2017, 2016 and 2015, was $0, $60,467, and $0, respectively.

5. Receivables from and Payables to Brokers or Dealers and Clearing Organization

The amount receivable from and payable to brokers or dealers and clearing organizations are as follows:

	2017	2016	2015
Receivables:			
Unsecured deposits and other with brokers or dealers	$ 446,198	$ 315,509	$ 270,591
Unsecured deposit with clearing organization	100,000	100,000	100,000
	$ 546,198	$ 415,509	$ 370,591
Payables to brokers or dealers and clearing organization	$ 15,015,406	$ 22,366,158	$ 12,415,325

6. Commissions, Claims, Other Receivables

The Company records other receivables, which are comprised of former and current employee advances, at their estimated net realizable value. A note to Grove Affordable Housing, LLC of $1,588,020, including interest at 6.59% is also included in the balance. This note is secured by real property subject to bond indebtedness included in non-marketable securities. Grove Affordable Housing, LLC is currently selling the real property at a price sufficient to retire the carrying value of the bonds and note receivable. The Company also charges interest rates ranging from 3.25% to 6.5% on outstanding notes receivable. An allowance for doubtful accounts is recorded based upon management's estimate of uncollectible accounts, determined by analysis of specific accounts.

Delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. The allowance for doubtful accounts was approximately $134,170, $269,912, and $269,912 at December 31, 2017, 2016 and 2015, respectively.

7. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements consisted of the following:

	2017	2016	2015
Computer hardware	$ 1,619,789	$ 1,626,101	$ 1,626,101
Furniture and fixtures	966,112	1,085,683	1,085,683
Leasehold improvements	240,039	242,109	229,311
Office equipment	676,709	733,391	734,199
	3,502,649	3,687,285	3,675,294
Less – accumulated depreciation	(3,182,769)	(3,261,461)	(3,137,980)
Total property, equipment, and leasehold improvements, net	$ 319,880	$ 425,824	$ 537,314

Depreciation expense totaled $84,709, $124,286, and $181,723 for the years ended December 31, 2017, 2016 and 2015, respectively.

8. Bank Loans

The Company has a sole recourse bank loan of $2,300,000 and $2,650,000 for the years ended December 31, 2017 and 2016, respectively collateralized by municipal bonds with a Level 3 valuation of $3,096,333 and $2,898,000 at December 31, 2017 and December 31 2016, respectively. The loan bears interest at prime which is 4.50% at December 31, 2017. The loan interest is payable quarterly and principal matures June 16, 2018.

The Company has established a $5,000,000 letter of credit with a bank in December 2016. The term has been extended to March 2018 with a requirement that it has a zero balance for a minimum of two months during the term.

9. Derivative Financial Instruments and Hedging Activities

The Company participates in interest rate swaps fee revenue through various primary broker dealers collected during the issuance of federal agency securities. Included in other revenue related to securities is $394,925, $835,295, and $1,736,512 in income from fees earned on these participations for the years ended December 31, 2017, 2016 and 2015, respectively.

10. Common Stock

The Company has both Class A nonvoting and Class B voting stock. Class A stock has preferences to dividends and liquidation. Class B stock is restricted in transfer and redemption price. In the year ended December 31, 2016 the Company paid $372,363 in dividends to the Class A nonvoting shares. During the year ended December 31, 2017 and 2015 the Company paid no dividends to the Class A nonvoting shares. In April of 2016, the Company issued 1,250 shares of Class A nonvoting shares at $35.48 per share and received proceeds of $44,345.

11. Treasury Stock

In July 2015, the Company repurchased 2,000 shares of Class A nonvoting shares at $34.74 per share a cost of $69,482. On November 1, 2015, 6,250 repurchased shares were cancelled and were recorded as a reduction to common stock of $62,500, additional paid in capital of $111,182, and retained earnings of $54,181. The Company repurchased these shares at a cost of $158,381.

12. Income Taxes

The provision for income taxes consists of the following:

	2017	2016	2015
Current – continuing operations:			
Federal	$ 156,702	$ 478,363	$ 919,349
State	4,729	-	41,176
	161,431	478,363	960,525
Deferred – continuing operations:			
Federal	86,200	113,400	(147,500)
State	46,600	172,400	154,900
	132,800	285,800	7,400
Net tax expense from continuing operations	$ 294,231	$ 764,163	$ 967,925
Current – discontinued operations:			
Federal	$ -	$ -	$ (215,208)
State	-	-	(44,002)
Net tax benefit from discontinued operations	$ -	$ -	$ (259,210)

On December 22, 2017, the Tax Cuts and Jobs Act ("Tax Act") was signed into law. The Tax Act reduces the corporate tax rate from 35% to 21% for tax years beginning after December 31, 2017. GAAP requires that the effects of a change in tax law and rates be accounted for in the period of enactment. As a result of the Tax Act, the Company revalued deferred tax assets and liabilities at the enacted rates.

The 2017, 2016 and 2015 expense for income taxes differs from the expense computed at the federal statutory rate primarily due to non-deductible meals and entertainment, and tax exempt income and expense related to municipal securities and changes related to the Tax Act.

The deferred tax asset and liability consist of the following components:

	2017	2016	2015
Deferred tax asset:			
Accrued expenses and allowances	$ 321,900	$ 511,600	$ 866,300
Deferred tax liability:			
Property and equipment and state loss carryovers	$ 38,200	$ 95,100	$ 164,000

13. 401(k) Retirement Savings Plan

The Company provides a qualified deferred compensation plan (401(k) plan) which is available to all employees upon hire date. The Company matches employee contributions to the plan up to a maximum of $1,000 for each employee after six months of employment. The retirement expense for the years ended December 31, 2017, 2016 and 2015was approximately $72,271, $79,900, and $90,000, respectively. Of those amounts $0, $0, and $5,756, respectively were included in discontinued operations.

14. Commitments and Contingencies

Leases

The Company leases office space under various operating leases through December 2023, with renewal options thereafter. Rent expense is calculated using the straight-line basis and for the years ended December 31, 2017, 2016 and 2015 was approximately $635,562, $650,192, and $1,088,238, respectively.

Future minimum lease payments due under non-cancelable agreements are as follows:

For the Year Ending December 31,	Amount
2018	$ 555,190
2019	535,403
2020	530,206
2021	540,722
2022	551,483
Thereafter	562,488
Total	$ 3,275,492

Legal Matters

The Company is involved in various legal matters arising in the ordinary course of its business. Management is of the opinion that these matters will not have a material adverse effect on the Company's financial statements.

14. Commitments and Contingencies (continued)

Other Matters

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to such underwriting commitments that were open at December 31, 2017, 2016 and 2015, and were subsequently settled had no material effect on the financial statements as of that date. Open underwriting positions at December 31, 2017, 2016 and 2015, were $300,000, $30,000, and $690,000, respectively. The Company has open transactions that settle on future dates through its Pershing clearing agreement on a fully disclosed basis. At December 31, 2017, buys with a contractual value of $1,323,177,732 and sells of $1,302,909,752 were open. At December 31, 2016, buys with a contractual value of $1,129,576,269 and sells of $1,089,525,427 were open. At December 31, 2015, buys with a contractual value of $1,342,645,930 and sells of $1,342,135,482 were open.

15. Related Party Transactions

The Company has a shared services agreement with a related party whereby for providing regulatory, advertising, data processing, and accounting services, the Company receives $12,500 per month under this agreement. In 2017 the Company received $138,000 under this agreement. In 2016 the Company received $149,000 under this agreement. In 2015 the Company received $198,000 under this agreement.

16. Financial Instruments with Off-Balance Sheet Risks and Concentration of Credit Risk

In the normal course of business, the Company may be exposed to risks in the execution of securities transactions. These transactions involve elements of risk as to credit extended, market fluctuations, and interest rate changes.

The Company's securities transactions clear primarily on a delivery versus payment basis. In transactions with repurchase agreements, margin may be required if market conditions are such as to indicate excessive elements of risk in these transactions. The execution of substantially all purchases and sales of securities requires the performance of another party to fulfill the transactions. In the event that the counterparty to the transaction fails to satisfy its obligation, the Company may be required to purchase or sell the security at the prevailing market price, which may have an adverse effect.

The nature of the securities industry is such that large cash balances are maintained in various financial institutions. These balances may exceed the limits of coverage guaranteed by the Federal Deposit Insurance Corporation.

16. Financial Instruments with Off-Balance Sheet Risks and Concentration of Credit Risk (continued)

The Company, as a securities broker-dealer, is engaged in various securities trading activities with a variety of customers including individuals, financial institutions, credit unions, insurance companies, pension plans and other broker-dealers. The Company's exposure to credit risk associated with the non-performance of these counterparties could be impacted by changing market conditions which could impair the counterparty's ability to satisfy their obligations to the Company.

In addition, at December 31, 2017, 2016 and 2015, 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 these obligations in the financial statements at December 31, 2017, 2016 and 2015, at fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to year end.

17. Net Capital Requirement

The Company is subject to the SEC Uniform Net Capital Rule (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.

The calculation of excess net capital and the ratio of aggregate indebtedness to net capital is as follows:

	2017	2016	2015
Total stockholders' equity	$ 27,520,804	$ 27,206,209	$ 26,262,025
Other additions and/or credits	14,100	42,500	62,200
Less charges to capital			
Other non-allowable assets and deductions	7,496,236	4,704,923	4,8,26,646
Haircuts on securities	2,127,556	3,083,111	1,585,181
Net capital	17,911,112	19,460,675	19,902,398
Required net capital	250,000	279,599	250,000
Excess net capital	$ 17,661,112	$ 19,181,076	$ 19,652,398
Ratio of aggregate indebtedness to net capital	.17 to 1	.21 to 1	.19 to 1

Withdrawals of excess net capital, including advances to affiliates, are subject to regulatory approval if the withdrawals exceed 30% of excess net capital over a 30 day period or reduce excess net capital below 25% of deductions from net worth.

18. Annual Report on Form X-17A-5

The annual report to the SEC on Form X-17A-5 is available for examination and copying at the Company's office and at the regional office of the SEC.