Feltl and Company, Inc.

Minneapolis, Minnesota

Balance Sheets

December 31, 2016 and 2015

Feltl and Company, Inc.

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Report of Independent Registered Public Accounting Firm

Board of Directors
Feltl and Company, Inc.
Minneapolis, Minnesota

We have audited the accompanying balance sheets of Feltl and Company, Inc. as of December 31, 2016 and 2015, and the related notes to the balance sheets. These balance sheets are the responsibility of Feltl and Company, Inc.'s management. Our responsibility is to express an opinion on these balance sheets based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the balance sheets are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheets. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the balance sheets referred to above present fairly, in all material respects, the financial position of Feltl and Company, Inc. as of December 31, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Wipfli, LLP

Wipfli, LLP
St. Paul, Minnesota

February 24, 2017

Feltl and Company, Inc.

Balance Sheets

December 31, 2016 and 2015

Assets	2016	2015
Cash and cash equivalents	$ 2,757,258	$ 3,690,091
Broker loans receivable, net	3,316,435	4,786,562
Securities owned, at market	380,384	2,005,934
Receivables from brokers, dealers and others	281,974	253,879
Fixed assets, net	179,365	290,315
Prepaid expenses and other assets	98,076	105,176
TOTAL ASSETS	$ 7,013,492	$ 11,131,957
Liabilities and Stockholders' Equity		
Liabilities:		
Accrued employee compensation and benefits	$ 572,643	$ 655,597
Amount due to clearing firm, secured by securities owned	29,788	100,685
Accounts payable	203,969	1,986,209
Securities sold, not yet purchased, at market	65	-
Accrued expenses and other liabilities	345,695	556,128
Total liabilities	1,152,160	3,298,619
Stockholders' equity:		
Common stock - Par value $1.00 per share		
Authorized - 1,000 shares		
Issued and outstanding - 528 shares	528	528
Additional paid-in capital	2,613,177	2,363,177
Retained earnings	3,247,627	5,469,633
Total stockholders' equity	5,861,332	7,833,338
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 7,013,492	$ 11,131,957

See accompanying notes to balance sheets.

Feltl and Company, Inc.

Notes to Balance Sheets

Note 1 Summary of Significant Accounting Policies

Principal Business Activities

Feltl and Company, Inc. (the "Company") is registered as a broker-dealer in securities with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC). The Company engages in the business of acting as a dealer, market maker, investment banker, and providing 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 is required to maintain a minimum balance of $100,000 in cash and securities accounts with the clearing broker to collateralize certain transactions.

Use of Estimates in Preparation of Balance Sheets

The preparation of the accompanying balance sheets in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, and stockholders' equity. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit. The Company considers all highly liquid investments with original maturities of less than three months to be cash and cash equivalents.

Note 1 Summary of Significant Accounting Policies (Continued)

Securities Owned

Securities transactions and related revenues and expenses are recorded on a trade date basis. Securities owned are stated at market value with related changes in unrealized gains or losses reflected in the Company's trading profit. Securities owned include U.S. equity securities, certificates of deposit with original maturities greater than three months, and debt 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. All securities owned are pledged to the clearing broker on terms that permit the clearing broker to sell or repledge the securities to others subject to certain limitations.

Revenue Recognition

The Company recognizes commission revenues and related expenses on trade date. Revenues and related expenses from the sale of private placements and other corporate finance transactions are recognized on closing date.

The Company's Retail Registered Representatives ("RRRs") are independent contractors. As independent contractors, employment taxes and benefits are the responsibility of the RRRs. Generally, RRRs are paid 50% to 60% of their adjusted gross commissions, based upon their monthly gross commissions. Adjusted gross commissions represent gross commissions, less direct clearing costs, employee trades, and an amount for other heavily discounted trades.

The Company's Institutional Registered Representatives are considered employees, receive a lower percentage of gross commissions than a RRR, and are reimbursed by the Company for their direct expenses.

Note 1 Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code and comparable state regulations. Under these provisions, the Company generally does not pay federal or state corporate income taxes on its taxable income. Instead, the stockholders report on their personal income tax returns their proportionate share of the Company's taxable income and tax credits. The Company regularly assesses the outcome of uncertain tax positions, if any, and would accrue for any potential tax liabilities, if applicable.

Income tax returns for the years ended 2015, 2014, and 2013 remain open to examination by the applicable federal and state tax authorities. The Company has not yet filed its income tax returns for the year ended December 31, 2016.

Fixed Assets

Depreciation on furniture and equipment is provided using the double declining balance method over the estimated useful lives of the assets, ranging from three years to seven years. Leasehold improvements are depreciated on the straight-line method over the term of the lease, or the estimated useful lives of the assets, whichever is shorter.

Broker Loans Receivable

Included in brokers loans receivable are forgivable loans made to investment executives and other revenue-producing brokers, typically in connection with recruitment. Such forgivable loans are amortized as compensation expense over the life of the note, generally two to nine years, using the straight line method. Management assesses the likelihood of whether or not any loan would be repaid if a broker leaves the firm, and an allowance for the uncollectible portion is made if deemed necessary. As of December 31, 2016, broker loans receivable is net of an allowance for uncollectible loans of $1,000,000. No allowance was considered necessary at December 31, 2015.

Note 1 Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The financial instruments of the Company are reported in the balance sheets at fair value, or at carrying amounts that approximate fair value because of the short maturity of the instruments

Subsequent Events

Subsequent events have been evaluated through February 24, 2017, which is the date the balance sheets were available to be issued.

Note 2 Receivables from Brokers, Dealers and Others

Included in the receivables from brokers, dealers, and others are unsettled 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 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.

Note 3 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 that a counterparty is unable to fulfill its contractual obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss. The Company maintains all of its securities owned at a clearing firm, and these securities owned collateralize amounts due to the clearing firm.

The Company at times sells securities that it does not currently own and will, therefore, be obligated to purchase such securities at a future date. Securities sold, not yet purchased, were $65 at December 31, 2016. The Company had no securities sold, but not yet purchased, at December 31, 2015.

Note 4 Concentration of Credit Risk

In the normal course of business, the Company maintains its cash in demand deposit and certificates of deposit accounts at various financial institutions. At times, balances in these accounts may exceed the Federal Deposit Insurance Corporation's insured limits of $250,000. At December 31, 2016 and 2015, the Company exceeded the insured limits by approximately $492,000 and $719,000, respectively.

Note 5 Fixed Assets

Fixed assets consist of the following:

	2016	2015
Leasehold improvements	$ 747,803	$ 725,040
Office equipment, furniture and fixtures	455,463	446,524
Computer equipment and software	244,725	237,533
Total	1,447,991	1,409,097
Accumulated depreciation	(1,268,626)	(1,118,782)
Net fixed assets	$ 179,365	$ 290,315

Note 6 Leases

The Company leases office space and various items of equipment under noncancelable operating leases generally ranging from one to seven years with certain renewal options.

Note 6 Leases (Continued)

Future minimum payments, by year and in the aggregate, under the noncancelable operating leases with initial or remaining terms in excess of one year consisted of the following at December 31, 2016:

2017	$ 555,083
2018	293,685
2019	187,442
Total	$ 1,036,210

Note 7 Retirement Plan

The Company sponsors a 401(k) profit sharing plan covering substantially all employees. Employees are allowed to make voluntary contributions to the plan. The Company may make discretionary contributions to the plan at the discretion of the Board of Directors.

Note 8 Regulatory Requirements

The Company is subject to the net capital requirements of FINRA and the Uniform Net Capital requirements of the SEC under Rule 15c3-1, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. FINRA and the SEC requirements also provide that equity capital may not be withdrawn or cash dividends paid if aggregate indebtedness to net capital exceeds 10 to 1. At December 31, 2016, the Company had regulatory net capital of $2,309,593 which was $2,059,593 in excess of its required net capital of $250,000. The Company's aggregate indebtedness to net capital ratio was 0.47 to 1.0.

Note 9 Commitments and Contingencies

The Company may be involved from time to time in various claims and legal proceedings of a nature considered normal to its business dealings. While any proceeding or litigation has an element of uncertainty, management of the Company believes that as of December 31, 2016, the outcome of any pending or threatened litigation will not have a material impact on the Company's financial condition.

The Company extends margin credit to its customers through its clearing broker. In the event of a customer no-pay or default margin account, the Company is responsible for covering the shortage. All shortages may be paid through liquidation of customer securities held by the clearing broker. At December 31, 2016 and 2015, there were no customer margin credit lines that were in default.

The Company engages in underwriting activities and enters into firm commitments with certain customers for initial public offerings. Once an initial public offering starts trading on the open market, the Company is liable for funding all shares under the firm commitment. As of December 31, 2016 and 2015, there were no outstanding firm commitments with customers.

Note 10 Fair Value Measurements

Following is a description of the valuation methodology used for assets measured at fair value on a recurring basis, as well as the classification of the assets within the fair value hierarchy.

Securities owned - Securities owned may be classified as Level 1, Level 2, or Level 3 measurements within the fair value hierarchy. Level 1 securities include equity securities traded on a national exchange. The fair value measurement of a Level 1 security is based on the quoted price of the security. Level 2 securities include U.S. government and agency securities, obligations of states and political subdivisions, corporate debt securities, certificates of deposit, and mortgage-related securities. The fair value measurement of a Level 2 security is obtained from an independent pricing service and is based on recent sales of similar securities and other observable market data. The fair value measurement of a Level 3 security is based on a discounted cash flow model that incorporates

Note 10 Fair Value Measurements (Continued)

assumptions market participants would use to measure the fair value of the security.

Information regarding the fair value of assets measured at fair value on a recurring basis as of December 31 follows:

	Assets Measured at Fair Value	Recurring Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2016				
Securities owned:				
Certificates of deposit	$ 250,629	$ -	$ 250,629	$ -
Equity securities	43,987	43,987	-	-
Debt securities	85,768	-	85,768	-
Assets - Securities owned	$ 380,384	$ 43,987	$ 336,397	$ -
2015				
Securities owned:				
Certificates of deposit	$1,548,222	$ -	$ 1,548,222	$ -
Equity securities	210,471	210,471	-	-
Debt securities	247,241	-	247,241	-
Assets - Securities owned	$2,005,934	$ 210,471	$ 1,795,463	$ -

Note 11 Related-Party Transactions

The Company earns a management fee from a related party, Feltl Advisors, LLC. Fees are earned in exchange for providing office space and back office support. From time to time, the Company may enter into subordinated borrowings with related parties. These transactions are available in computing net capital under the SEC’s uniform net capital rule. To the extent that such borrowings are required for the Company’s continued compliance with net capital requirements, they may not be repaid. At December 31, 2016 and 2015, there were no subordinated borrowings outstanding. The Company’s primary banking relationship and cash accounts are maintained with a related party, a bank, which is under common ownership as the Company.

Note 12 Self-Funded Insurance

Beginning in 2015 Feltl and Company, Inc began insuring its employees under a self-funded health care plan that provides medical benefits to employees and their dependents. This health care cost is expensed throughout the year based on estimated claims. The health care expense is based on actual claims paid, reinsurance premiums, administration fees, and unpaid claims at year-end. The Company has reinsurance to cover catastrophic individual claims over $40,000 and aggregate claims exceeding $262,603.

A liability of $65,000 and $43,000 for possible claims outstanding at December 31, 2016 and 2015, respectively, has been recorded. Management believes this liability is sufficient to cover estimated claims including claims incurred but not yet reported. Claims may only be submitted through March 31 of the subsequent year for the claims incurred in the prior year.