

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
8- 14299

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 07/01/18 AND ENDING 06/30/19  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Wilson-Davis & Company, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

236 South Main Street

(No. and Street)

Salt Lake City

Utah

84101

(City)

(State)

(Zip Code)

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

Lyle W. Davis

(801) 532-1313

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Haynie & Company

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

50 West Broadway Suite #600

Salt Lake City

Utah

84101

(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)

**WILSON-DAVIS & COMPANY, INC.**

**FORM X-17A-5**

**WITH**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**YEAR ENDED JUNE 30, 2019**

# WILSON-DAVIS & COMPANY, INC.

## TABLE OF CONTENTS

	<u>Page</u>
<u>Financial Report</u>	
Report of Independent Registered Public Accounting Firm	1-2
Oath or Affirmation to Financial Statements	3
Statement of Financial Condition	4
Statement of Income	5
Statement of Cash Flows	6-7
Statement of Changes in Stockholders' Equity	8
Statement of Changes in Liabilities Subordinated to Claims of General Creditors	9
Notes to Financial Statements	10-18
Schedule I - Computation of Net Capital	19
Schedule II - Reconciliation to Respondent's Unaudited Computation	20
Schedule III - Computation for Determination of Customer Account Reserve of Broker and Dealers Under Rule 15c3-3 of the Securities and Exchange Commission	21
Schedule IV - Reconciliation of Computation for Determination of Customer Account Reserve Requirements Under Rule 15c3-3	22
Schedule V - Computation for Determination of PAB Account Reserve of Broker and Dealers Under Rule 15c3-3 of the Securities and Exchange Commission	23
Schedule VI - Reconciliation of Computation for Determination of PAB Account Reserve Requirements Under Rule 15c3-3	24
Schedule VII - Information for Possession or Control Requirements Under Rule 15c3-3	25
<u>Compliance Report</u>	
Report of Independent Registered Public Accounting Firm	26-27
Compliance Report	28
<u>SIPC Report</u>	
Report of Independent Registered Public Accounting Firm on Applying Agreed-Upon Procedures	29-32



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Wilson-Davis & Company, Inc.

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Wilson-Davis & Company, Inc. (the Company) as of June 30, 2019, the related statements of income, cash flows, changes in stockholders' equity, and changes in liabilities subordinated to claims of general creditors for the year then ended that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements. In our opinion, the financial statements present fairly, in all material respects, the financial position of Wilson-Davis & Company, Inc. as of June 30, 2019, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. 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 Wilson-Davis & Company, Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit 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. Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

### Supplemental Information

The supplemental information contained in Schedule I – Computation Of Net Capital, Schedule II – Reconciliation To Respondent's Unaudited Computation, Schedule III – Computation For Determination Of Reserve Requirements For Broker-Dealers Under Rule 15c3-3, Schedule IV – Reconciliation Of Computation For Determination Of Reserve Requirements Under Rule 15c3-3, Schedule V – Computation for Determination of PAB Account Reserve Requirements for Broker-Dealers Under Rule 15c3-3, Schedule VI – Reconciliation of Computation For Determination of PAB Account Reserve Requirements Under Rule 15c3-3 and Schedule VII – Information For Possession Or Control Requirements Under Rule 15c3-3, (the Supplemental Information) has been subjected to

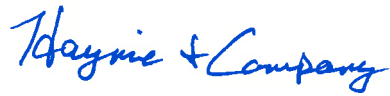
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Suite 600  
Salt Lake City, UT 84101

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audit procedures performed in conjunction with the audit of Wilson-Davis & Company, Inc.'s financial statements. The Supplemental Information is the responsibility of the Wilson-Davis & Company, Inc.'s management. Our audit procedures included determining whether the Supplemental Information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the Supplemental Information. In forming our opinion on the Supplemental Information, we evaluated whether the Supplemental Information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information contained in Schedule I – Computation Of Net Capital Schedule II – Reconciliation To Respondent's Unaudited Computation, Schedule III – Computation For Determination Of Reserve Requirements For Broker-Dealers Under Rule 15c3-3, Schedule IV – Reconciliation Of Computation For Determination Of Reserve Requirements Under Rule 15c3-3, Schedule V – Computation for Determination of PAB Account Reserve Requirements for Broker-Dealers Under Rule 15c3-3, Schedule VI – Reconciliation of Computation For Determination of PAB Account Reserve Requirements Under Rule 15c3-3, and Schedule VII – Information For Possession Or Control Requirements Under Rule 15c3-3 are fairly stated, in all material respects, in relation to the financial statements as a whole.



Haynie & Company  
Salt Lake City, Utah  
August 28, 2019

We have served as Wilson-Davis & Company, Inc.'s auditor since 2016.

OATH OR AFFIRMATION

I, Lyle W. Davis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Wilson-Davis & Company, Inc., as of June 30, 2019, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



Cora Powell  
Notary Public

[Signature]

Signature

Chairman/Treasurer  
Title

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).

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**JUNE 30, 2019**

**ASSETS**

**Assets:**

Cash and cash equivalents	\$ 5,902,907
Cash segregated in accordance with Federal regulations - customers	16,225,000
Cash segregated in accordance with Federal regulations - PAB	200,000
Receivables from broker dealers and clearing organization	1,817,975
Receivables from customers, net of allowance for doubtful accounts of \$25,000	237,827
Trading securities, at market value	96,720
Commissions receivable	96,415
Cash deposits with clearing organization and other broker dealers	1,436,414
Property and equipment, at cost, less accumulated depreciation and amortization of \$285,363	86,580
Other assets	<u>232,674</u>
<b>Total assets</b>	<b><u>\$ 26,332,512</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities:**

Payables to customers	\$ 17,549,680
Accounts of and payables to officers and directors	1,532,739
Accounts payable and accrued expenses	827,605
Commissions, payroll and payroll taxes payable	350,154
Income taxes payable	363,932
Payables to broker dealers and clearing organization	211,767
Subordinated borrowings from officers and directors	650,000
Trading account deposit	100,000
Deferred income tax liability	<u>10,600</u>
<b>Total liabilities</b>	<b><u>21,596,477</u></b>

**Stockholders' equity:**

Common stock, \$.10 par value, 1,000,000 shares authorized, 410,000 shares issued and outstanding	41,000
Additional paid-in capital	303,837
Retained earnings	<u>4,391,198</u>
<b>Total stockholders' equity</b>	<b><u>4,736,035</u></b>

<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 26,332,512</u></b>
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The accompanying notes are an integral part  
of the financial statements.

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Revenues:**

Commissions	\$ 10,166,388
Vetting fees	250,914
Clearing fees	137,500
Interest income	123,351
Volume rebates	117,058
Net gains on firm trading accounts	42,948
Other	<u>195,435</u>

**Total revenues** 11,033,594

**Expenses:**

Compensation, payroll taxes and benefits	6,776,581
Communications	811,604
Regulatory, professional fees and related expenses	624,923
Data processing and clearing costs	326,609
Occupancy and equipment	139,823
Transfer fees	109,788
Interest	33,373
Bank charges	23,391
Other expense	<u>69,249</u>

**Total expenses** 8,915,341

**Income before income taxes** 2,118,253

Income tax expense 642,597

**Net income** \$ 1,475,656

The accompanying notes are an integral part  
of the financial statements.



**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Cash Flows from Operating Activities:**

Net income		\$ 1,475,656
Noncash revenue and expense adjustments:		
Depreciation and amortization expense	24,561	
Change in deferred income taxes	20,600	
Noncash regulatory fine assessment	24,375	
(Increase) decrease in assets:		
Receivables from broker dealers and clearing organization	(612,409)	
Receivables from customers	157,986	
Trading securities, at market value	45,061	
Commissions receivable	(52,371)	
Cash deposits with clearing organization and other broker dealers	599,844	
Other assets	14,716	
Increase (decrease) in liabilities:		
Payables to customers	(397,161)	
Accounts of and payables to officers and directors	(290,205)	
Accounts payable and accrued expenses	162,283	
Commissions, payroll and payroll taxes payable	(138,875)	
Income taxes payable	275,556	
Payables to broker dealers and clearing organization	143,783	(22,256)
<b>Net cash provided by operating activities</b>		<u>1,453,400</u>

**Cash Flows from Investing Activities:**

Cash paid for purchase of property and equipment	(87,316)	
Cash paid for purchase of other investments	(692)	
<b>Net cash (used for) investing activities</b>		<u>(88,008)</u>

**Cash Flows from Financing Activities:**

Dividends paid	(41,000)	
Principal payments on long-term debt	(35,833)	
<b>Net cash (used for) financing activities</b>		<u>(76,833)</u>

<b>Net increase in cash and restricted cash</b>		1,288,559
Cash and restricted at beginning of year		<u>21,039,348</u>
<b>Cash and restricted cash at end of year</b>		<u><u>\$ 22,327,907</u></u>

Continued - next page

The accompanying notes are an integral part  
of the financial statements.

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Continued -

**Supplemental disclosures of cash flow information:**

1. Cash paid for:

Interest	<u>\$ 33,373</u>
Income taxes	<u>\$ 351,540</u>

2. Schedule of Non-cash Transactions:

- a. Fixed assets with a cost and accumulated depreciation of \$19,278 were disposed of during the year ended June 30, 2019. No proceeds on disposal were received.
- b. During the year ended June 30, 2019, the Company financed a portion of a fine assessed by FINRA totaling \$24,375 (see note 8).

The accompanying notes are an integral part  
of the financial statements.

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances - July 01, 2018	\$ 41,000	\$ 303,837	\$ 2,956,542	\$ 3,301,379
Increased by:				
Net income	--	--	1,475,656	1,475,656
Decreased by:				
Dividends paid	<u>--</u>	<u>--</u>	<u>(41,000)</u>	<u>(41,000)</u>
Balances - June 30, 2019	<u>\$ 41,000</u>	<u>\$ 303,837</u>	<u>\$ 4,391,198</u>	<u>\$ 4,376,035</u>

The accompanying notes are an integral part  
of the financial statements.

**WILSON-DAVIS & COMPANY, INC.**  
**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO**  
**CLAIMS OF GENERAL CREDITORS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Subordinated Borrowings; July 01, 2018	\$ 650,000
Issuance of new loan	--
Principal payments on loans	<u>    --</u>
Subordinated Borrowings; June 30, 2019	<u>\$ 650,000</u>

The accompanying notes are an integral part  
of the financial statements.

**WILSON-DAVIS & COMPANY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Nature of Business**

The Company is a securities broker and dealer, dealing in over-the-counter and listed securities. The Company is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Revenue is derived principally from trading in securities for its own account and for the accounts of customers for which a commission is received.

The Company has operations in Utah, Arizona, California, Colorado, Florida, Idaho, New Jersey, New York, Oklahoma and Texas. Transactions for customers are principally in the states where the Company operates, however, some customers are located in other states in which the Company is registered. Principal trading activities are conducted with other broker dealers throughout the United States.

**b. Basis of Accounting**

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principals generally accepted in the United States.

**c. Revenue Recognition**

Effective July 1, 2018, the Company adopted ASU No. 2014-9, Revenue from Contracts with Customers ("ASC Topic 606") using the modified retrospective method which had no impact on the Company's opening retained earnings. The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when the entity satisfies a performance obligation.

The Company acts as an agent by selling securities to customers and collecting commissions. The Company recognizes commissions on a trade date basis, which is the day the transaction is executed. The Company believes that the performance obligation is satisfied on the trade date because that is when the security is selected, the price is determined, the trade is executed, and the risks and rewards of ownership have been transferred to/from the customer.

The Company also receives commissions on mutual funds purchased by customers. The Company believes that the performance obligation is not satisfied until the mutual funds are purchased by customers and recognizes the commission at that time.

The Company performs vetting services to customers who wish to convert restricted stock to eligible trading stock. In addition, the Company charges clearing fees to another broker-dealer that it clears trades for. The Company recognizes revenue as the related performance obligations are satisfied.

## Notes to Financial Statements - continued

### d. Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the Company's bank accounts and any highly liquid investments with an initial maturity of three months or less.

### e. Trading Securities

Securities held in the Company's trading account and trading securities sold not yet purchased, consist primarily of over-the-counter securities and are valued based upon quoted market prices. The value of securities that are not readily marketable are estimated by management based upon quoted prices, the number of market makers, trading volume and number of shares held. Unrealized gains and losses are reflected in income in the financial statements.

### f. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation on property and equipment is provided using accelerated and straight-line methods over expected useful lives of three to seven years.

### g. Income Taxes

The Company utilizes the asset and liability method to account for income taxes. The objective of this method is to establish deferred tax assets and liabilities for the temporary differences between net income for financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized.

Income tax expense or benefit is provided based upon the financial statement earnings of the Company. The allowance for doubtful accounts is deductible for financial statement purposes, but not for tax purposes. Depreciation expense is recognized in different periods for tax and financial accounting purposes due to the use of accelerated depreciation methods for income tax purposes. Net operating losses that cannot be carried back can be carried forward to future periods. The tax effects of such differences are reported as deferred income taxes in the financial statements.

### h. Fair Value of Financial Instruments

FASB ASC 825-10 *Disclosures about Fair Value of Financial Instruments*, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. FASB ASC 825-10 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements.

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, receivables, accounts payable and accrued expenses approximate carrying value, principally because of the short maturity of those items.

### i. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles and prevailing industry practices requires management to make estimates and assumptions regarding trading securities, depreciation and other matters that affect certain reported amounts and disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

## Notes to Financial Statements - continued

### 2. CASH AND RESTRICTED CASH

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial condition with the total of the same such amounts presented in the statement of cash flows.

Cash and cash equivalents	\$ 5,902,907
Cash segregated in accordance with Federal regulations – customers	16,225,000
Cash segregated in accordance with Federal regulations – PAB	<u>200,000</u>
Total cash and restricted cash shown in the statement of cash flows	<u>\$22,327,907</u>

### 3. CASH SEGREGATED IN ACCORDANCE WITH FEDERAL REGULATIONS

The Company is required by Rule 15c3-3 of the Securities and Exchange Commission to maintain a cash reserve with respect to customers' transactions and credit balances, on a settlement date basis. Such a reserve is computed weekly using a formula provided by the rule and the reserve account must be separate from all other bank accounts of the Company. The required reserve as of June 30, 2019 was calculated to be \$15,950,228. The Company had \$16,225,000 cash on deposit in the reserve account, which was \$274,772 more than the amount required. On July 1, 2019 the Company deposited \$100,000 to the reserve account in accordance with the rule which created an excess of \$374,772.

The Company is required by Rule 15c3-3 of the Securities and Exchange Commission to maintain a cash reserve with respect to broker-dealer transactions and credit balances. Such a reserve is computed weekly using a formula provided by the rule and the reserve account must be separate from all other bank accounts of the Company. The required reserve as of June 30, 2019 was calculated to be \$100,000. The Company had \$200,000 cash on deposit in the reserve account, which was \$100,000 more than the amount required.

### 4. RECEIVABLES AND PAYABLES WITH BROKER DEALERS AND CLEARING ORGANIZATION

At June 30, 2019, amounts receivable and payable with broker dealers and the clearing organization include:

	<u>Receivables</u>	<u>Payables</u>
Due from or to the clearing organization, net	\$ 1,708,192	\$ 21,799
Fails to deliver and receive	<u>109,783</u>	<u>189,968</u>
Totals	<u>\$ 1,817,975</u>	<u>\$ 211,767</u>

### 5. CUSTOMER RECEIVABLES AND PAYABLES

Accounts receivable from and payable to customers at June 30, 2019 include only cash accounts. Securities owned by customers are held as collateral for any unpaid amounts. Such collateral is not reflected in the financial statements. The Company provides an allowance for doubtful accounts, as needed, for accounts in which collection is uncertain. Management periodically evaluates each account on a case-by-case basis to determine impairment. Accounts that are deemed uncollectible are written off to bad debt expense. Bad debt expense and trading error adjustments for the year ended June 30, 2019 were \$53,391.

## Notes to Financial Statements – continued

### 6. PROPERTY AND EQUIPMENT

Depreciation expense for the year ended June 30, 2019 was \$24,561. Property and equipment are summarized by major classifications as follows:

Equipment	\$ 149,537
Leasehold improvements	79,455
Software	99,370
Furniture and fixtures	<u>43,581</u>
	371,943
Less accumulated depreciation and amortization	<u>(285,363)</u>
	<u>\$ 86,580</u>

### 7. LINE OF CREDIT

The Company maintains a revolving line of credit with its bank. The credit arrangement was initiated in January 2019 and has a maximum borrowing limit of \$3,000,000. The line is available through January 8, 2020 and provides for interest at the LIBOR rate. The line of credit is secured by the assets of the Company and is guaranteed by the Company's chairman. The Company did not have an outstanding balance on the line of credit as of June 30, 2019. The line of credit contains certain loan covenants. Management believes the Company was in compliance with applicable covenants as of June 30, 2019.

### 8. LONG-TERM DEBT

During the fiscal year ended June 30, 2019, the Company financed a fine from FINRA totaling \$24,375. That note along with a pre-existing note from FINRA with a principal balance totaling \$11,458 were paid off during the year. Interest expense associated with the two notes totaled \$873.

### 9. SUBORDINATED LOAN AGREEMENTS

The Company has entered into six subordinated loan agreements totaling \$650,000, all of which is payable to current and former officers and directors of the Company. The agreements renew annually and provide for interest at 5% per annum. The Company anticipates that all notes will be renewed for additional one-year periods, unless circumstances or Company requirements change. The loan principal and interest are unsecured and subordinated in right of payment to all claims of present and future creditors of the Company.

The subordinated loan agreements have been approved by the Financial Industry Regulatory Authority (FINRA) and are available for computing net capital under the Securities and Exchange Commission's uniform net capital rule (see note 16). To the extent that the borrowings are required for compliance with the minimum net capital requirements, they may not be repaid.



## Notes to Financial Statements – continued

### 10. INCOME TAXES

Income taxes are provided at statutory rates for the tax effects of transactions reported in the financial statements and consist of taxes which are due currently and for deferred taxes which relate to timing differences for the expense recognition of the allowance for doubtful accounts, depreciation and net operating loss carryforwards. Income tax expense computed at statutory rates consists of the following:

Federal income tax expense	\$ 471,351
State and local income and franchise taxes	150,646
Change in deferred taxes for current year timing differences	<u>20,600</u>
Income tax expense	<u>\$ 642,597</u>

The actual tax expense differs from the “expected” tax expense computed by applying the U.S. corporate rate of 21 percent as follows:

Computed “expected” federal tax expense	\$ 444,833
Computed “expected” state tax expense	105,913
Computed “expected” state tax deduction	(22,242)
Effect of actual tax rate vs. “expected” tax rate	35,036
Impact of non-deductible expenses	<u>79,057</u>
Income tax expense	<u>\$ 642,597</u>

In accordance with ASU No. 2015-17, “Income Taxes (Topic 740) – Balance Sheet Classification of Deferred Taxes”, the Company reports their deferred tax liabilities and deferred tax assets, together as a single noncurrent item on the balance sheet. Using the applicable combined Federal and state tax rate of 26%, the deferred tax assets and liabilities are as follows:

	<u>Amount</u>	<u>Rate</u>	<u>Tax</u>
<u>Deferred income tax asset</u>			
Allowance for doubtful accounts	\$ 5,000	26%	\$ 6,500
<u>Deferred income tax liability</u>			
Tax depreciation in excess of book depreciation	(\$ 65,820)	26%	<u>(17,100)</u>
Net deferred income tax liability			<u>(\$ 10,600)</u>

The FASB has released accounting standards which require reporting entities to utilize different recognition thresholds and measurement requirements for uncertain tax positions than previously required. The Company has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Company files income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions. The Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2015.

## Notes to Financial Statements – continued

### 11. OPERATING LEASE COMMITMENTS

The Company has operating lease obligations for office space at its headquarters location and one branch office. Rent expense totaling \$115,263 was charged to operations during the last fiscal year.

The future minimum payments required by the office lease agreements in effect at June 30, 2019 are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2020	\$ 99,127
2021	<u>58,824</u>
Total minimum payments required	<u>\$ 157,951</u>

### 12. RETIREMENT PLANS

The Company maintains a profit sharing and 401(k) retirement plan. All employees who meet certain age and length of service requirements are eligible to participate in the plan. Participants must work a minimum of 1,000 hours per year and become fully vested after six years of service. The plan allows employees to make elective deferrals and provides for discretionary contributions to be determined by the Board of Directors. A profit sharing contribution totaling \$332,009 was accrued and charged to operations for the year ended June 30, 2019.

### 13. RELATED PARTY TRANSACTIONS

#### a. Officer and director accounts

At June 30, 2019, the amounts due to officers and directors consisted of cash balances in security accounts plus accrued compensation totaling \$1,532,739. Amounts paid or received on these accounts occur in the normal course of business.

#### b. Subordinated borrowings

Six subordinated loan agreements totaling \$650,000 are with current and former officers and directors of the Company (see note 9). Interest expense associated with the subordinated borrowings totaled \$32,500 during the year ended June 30, 2019.

### 14. FAIR VALUE MEASUREMENT

FASB ASC 820 establishes a framework for measuring fair value. Fair value is 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. A fair measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market.

The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

## Notes to Financial Statements – continued

*Level 2:* Observable inputs other than quoted prices included in Level 1 which are observable for asset or liability either directly or indirectly. These inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3:* Unobservable inputs for the asset or liability to the extent relevant observable inputs are not available, representing the Company's own assumption about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

***Trading Securities*** - Valued at the bid price reported in the active market in which the individual securities are traded.

***Securities sold not yet purchased*** - Valued at the ask price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities at fair value as of June 30, 2019:

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Trading securities	\$ 96,720	\$ --	\$ --	\$ 96,720
Totals	\$ 96,720	\$ --	\$ --	\$ 96,720
<u>Liabilities</u>				
Securities sold not yet purchased	\$ --	\$ --	\$ --	\$ --
Totals	\$ --	\$ --	\$ --	\$ --

15. **RISK MANAGEMENT**

Transactions involving financial instruments involve varying degrees of market, credit and operating risk. The Company monitors its exposure to risk on a daily basis.

**Market Risk**

Market risk is the potential change in value of the financial instrument caused by unfavorable changes in interest rates and equity prices. Management is responsible for reviewing trading positions, exposure limits, profits and losses, and trading strategies. In the normal course of business, the Company purchases, and makes markets in non-investment grade securities. These activities expose the Company to a higher degree of market risk than is associated with investing or trading in investment grade instruments.

**Operating Risk**

Operating risk focuses on the Company's ability to accumulate, process and communicate information necessary to conduct its daily operations. Deficiencies in technology, financial systems and controls and losses attributable to operational problems all pose potential operating risks. In order to mitigate these risks, the Company has established and maintains an internal control environment which incorporates various control mechanisms throughout the organization. In addition, the Company periodically monitors its technological needs and makes changes as deemed appropriate.

**Credit Risk**

The Company's transactions with customers and other broker dealers are recorded on a trade date basis and are collateralized by the underlying securities. The Company's exposure to credit risk associated with nonperformance by customers or contra brokers is impacted by volatile or illiquid trading markets. Should either the customers or other broker dealers fail to perform, the Company may be required to complete the transactions at prevailing market prices. The Company manages credit risk by monitoring net exposure to individual counterparties on a regular basis. Historically, reserve requirements arising from instruments with off-balance-sheet risk have not been material.

Receivables and payables with clearing and other broker dealers are generally collateralized by cash deposits. Additional cash deposits are requested when considered necessary by the clearing organization or contra broker dealer.

Customer transactions are primarily entered in cash accounts. The Company no longer maintains customer margin accounts. Therefore, the Company has no exposure to the credit and market risks associated with margin accounts.

Concentrations of credit risk that arise from financial instruments (whether on or off balance sheet) exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet obligations to be similarly affected by economic, industry or geographic factors.

**Concentration of Credit Risk**

The Company's cash is deposited at one financial institution. Cash accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At June 30, 2019 the Company had approximately \$6,668,219 in excess of the FDIC limit.

**16. NET CAPITAL REQUIREMENTS**

As a broker dealer, the Company is subject to the uniform net capital rule adopted and administered by the Securities and Exchange Commission. The rule requires maintenance of minimum net capital and prohibits a broker dealer from engaging in securities transactions at a time when its net capital falls below minimum requirements, as those terms are defined by the rule. Under the alternative method permitted by this rule, net capital shall not be less than the greater of \$250,000 or 2% of aggregate debit items arising from customer transactions, as defined. Also, the Company has a minimum requirement based upon the number of securities' markets that the Company maintains. At June 30, 2019 the Company's net capital was \$5,025,534 which was \$4,775,534 in excess of the minimum required.

**17. COMMITMENTS AND CONTINGENCIES**

On February 27, 2018, an extended hearing panel of the Department of Enforcement of the Financial Industry Regulatory Authority, Inc., Office of Hearing Officers, issued its decision ordering fines aggregating \$1.47 million for violations of the applicable short sales and anti-money laundering rules. Pursuant to FINRA Rules, the Company's timely appeal of the decision to the National Adjudicatory Council (NAC) deferred the effectiveness of the findings and sanctions. The Company has not booked this liability because the timely appeal of the decision delays the sanctions' effectiveness and based on a review of this proceeding and the nature of NAC reviews generally, the Company believes that the final amount is not now reasonably estimable and probable.

**18. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 28, 2019, the date which the financial statements were available to be issued and has determined there are no subsequent events to be reported.

**WILSON-DAVIS & COMPANY, INC.**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2019**

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE I**  
**COMPUTATION OF NET CAPITAL**  
**AS OF JUNE 30, 2019**

Total stockholders' equity		<u>\$ 4,736,035</u>
Deduct: equity not allowable for net capital		<u>          --</u>
Add: allowance for doubtful accounts		<u>          25,000</u>
Total stockholders' equity qualified for net capital		<u>          4,761,035</u>
Liabilities subordinated to claims of general creditors allowable in computation of net capital		<u>          650,000</u>
Total capital and allowable subordinated liabilities		<u>          5,411,035</u>
Deductions and/or charges:		
Total non-allowable assets from Statement of Financial Condition	<u>\$ 368,195</u>	
Aged fails-to-deliver	<u>          1,949</u>	
Aged fails-to-receive	<u>          443</u>	
Total deductions and/or charges		<u>          370,587</u>
Net capital before haircuts on securities positions		<u>          5,040,448</u>
Haircuts on securities:		
Trading and investment securities:		
Stocks and warrants	<u>          14,914</u>	
Money market funds	<u>          --</u>	
Undue concentration	<u>          --</u>	
Total haircuts		<u>          14,914</u>
Net capital		<u><u>\$ 5,025,534</u></u>

See reconciliation to respondent's unaudited computation on page 20.

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE II**  
**RECONCILIATION TO RESPONDENT'S UNAUDITED COMPUTATION**  
**JUNE 30, 2019**

Net capital per respondent's unaudited computation	\$ 5,025,534
Net adjustments to stockholders' equity	--
(Increase) in non-allowable assets	--
(Increase) in aged fails to deliver and receive	--
(Increase) in securities haircuts	<u>          --</u>
Net capital per audit	<u>\$ 5,025,534</u>



**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE III**  
**COMPUTATION FOR DETERMINATION OF CUSTOMER ACCOUNT**  
**RESERVE OF BROKER AND DEALERS UNDER RULE 15c3-3 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**AS OF JUNE 30, 2019**

**CREDIT BALANCES**

Free credit balances and other credit balances in customers' security accounts	\$ 16,061,092	
Customers' securities failed to receive	2,000	
Credit balances in firm accounts which are attributable to principal sales to customers	--	
Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the transfer agent or the issuer during the 40 days	<u>28,970</u>	
<b>TOTAL CREDITS</b>		<u>\$ 16,092,062</u>

**DEBIT BALANCES**

Debit balances in customers' cash and margin accounts excluding unsecured accounts and accounts doubtful of collection net of deductions pursuant to Note E, Exhibit A, Rule 15c3-3	139,221	
Failed to deliver of customers' securities not older than 30 calendar days	<u>7,000</u>	
Aggregate debit items		146,221
Less 3% (for alternative method only – see Rule 15c3-1 (f)(5)(i))		<u>(4,387)</u>
<b>TOTAL DEBITS</b>		<u>141,834</u>

**RESERVE COMPUTATION**

Excess of total debits over total credits	<u>--</u>
Excess of total credits over total debits	<u>15,950,228</u>
Amount held on deposit in "Reserve Bank Account(s)", at end of reporting period	<u>16,225,000</u>
Amount of deposit (or withdrawal)	<u>100,000</u>
New amount in Reserve Bank Account(s) after adding deposit or subtracting withdrawal	<u>\$ 16,325,000</u>
Date of deposit or withdrawal	<u>07/01/19</u>

See reconciliation to respondent's unaudited computation on page 22.

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE IV**  
**RECONCILIATION OF COMPUTATION FOR DETERMINATION**  
**OF CUSTOMER ACCOUNT RESERVE REQUIREMENTS UNDER RULE 15c3-3**  
**JUNE 30, 2019**

	<u>Debits</u>	<u>Credits</u>
Totals per respondent's unaudited computation	\$ 141,834	\$ 16,092,062
Increase in unconfirmed securities at transfer in excess of 40 days	--	--
(Decrease) in principal shorts to customers	--	--
Increase (decrease) in customer accounts	--	--
Increase in customer securities failed to deliver/receive	--	--
(Increase) in 3% of debit items (alternative method)	<u>    --</u>	<u>    --</u>
Totals per audit	<u>\$ 141,834</u>	<u>\$ 16,092,062</u>

Note: The Company computes the determination of reserve requirements under Rule 15c3-3 on a settlement date basis.



**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE VI**  
**RECONCILIATION OF COMPUTATION FOR DETERMINATION**  
**OF PAB ACCOUNT RESERVE REQUIREMENTS UNDER RULE 15c3-3**  
**JUNE 30, 2019**

	<u>Debits</u>	<u>Credits</u>
Totals per respondent's unaudited computation	\$ --	\$ 100,000
Increase in unconfirmed securities at transfer in excess of 40 days	--	--
Increase in PAB securities failed to deliver/receive	<u>--</u>	<u>--</u>
Totals per audit	<u>\$ --</u>	<u>\$ 100,000</u>

**WILSON-DAVIS & COMPANY, INC.**  
**SCHEDULE VII**  
**INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3**  
**AS OF JUNE 30, 2019**

State the market valuation and the number of items of:

Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3.

\$ 28,970

Number of items

4

The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3.

Yes X No \_\_\_\_\_



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Wilson-Davis & Company, Inc.

We have examined Wilson-Davis & Company, Inc.'s statements, included in the accompanying Compliance Report, that (a) Wilson-Davis & Company, Inc.'s internal control over compliance was effective during the most recent fiscal year ended June 30, 2019; (b) Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of June 30, 2019; (c) Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2019; and (d) the information used to state that Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records. Wilson-Davis & Company, Inc.'s management is responsible for establishing and maintaining a system of internal control over compliance that has the objective of providing Wilson-Davis & Company, Inc. with reasonable assurance that non-compliance with 17 C.F.R. §240.15c3-1, 17 C.F.R. § 240.15c3-3, 17 C.F.R. § 240.17a-13, or NASD Rule 2340, *Customer Account Statements*, of The Financial Industry Regulatory Authority, Inc. that requires account statements to be sent to the customers of Wilson-Davis & Company, Inc. will be prevented or detected on a timely basis. Our responsibility is to express an opinion on Wilson-Davis & Company, Inc.'s statements based on our examination.

We conducted our examination in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of and during the most recent fiscal year ended June 30, 2019; Wilson-Davis & Company, Inc. complied with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2019; and the information used to assert compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2019 was derived from Wilson-Davis & Company, Inc.'s books and records. Our examination includes testing and evaluating the design and operating effectiveness of internal control over compliance, testing and evaluating Wilson-Davis & Company, Inc.'s compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e), determining whether the information used to assert compliance with 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, Wilson-Davis & Company, Inc.'s statements referred to above are fairly stated, in all material respects.

*Haynie & Company*

Haynie & Company  
Salt Lake City, Utah  
August 28, 2019

COMPLIANCE REPORT

U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Wilson-Davis & Company, Inc. hereby states to the best of our knowledge and belief:

- a. Wilson-Davis & Company, Inc. has established and maintained internal control over compliance, as defined in Rule 17a-5.
- b. Wilson-Davis & Company, Inc.'s internal control over compliance was effective during the most recent fiscal year ended June 30, 2019.
- c. Wilson-Davis & Company, Inc.'s internal control over compliance was effective as of June 30, 2019.
- d. Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) as of June 30, 2019.
- e. The information used to state that Wilson-Davis & Company, Inc. was in compliance with 17 C.F.R. §§ 240.15c3-1 and 240.15c3-3(e) was derived from Wilson-Davis & Company, Inc.'s books and records.
- f. Statements are sent to customers in accordance with FINRA Rule 2340 (formerly NASD Rule 2340).



Lyle W. Davis  
Chairman/Treasurer  
Wilson-Davis & Company  
August 28, 2019





## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON APPLYING AGREED UPON PROCEDURES

To the Board of Directors  
Wilson-Davis & Company, Inc.  
236 South Main Street  
Salt Lake City, Utah 84101

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation (SIPC) Series 600 Rules, which are enumerated below, and were agreed to by Wilson-Davis & Company, Inc. (the “Company”) and the SIPC, solely to assist you and the SIPC in evaluating the Company’s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7) for the year ended June 30, 2019. Management of the Company is responsible for its Form SIPC-7 and for its compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and 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 (check copies) noting no differences;
2. Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended June 30, 2019, with the Total Revenue amounts reported in Form SIPC-7 for the year ended June 30, 2019 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and

4. Recalculated 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 or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's compliance with the applicable instructions of the Form SIPC-7 for the year ended June 30, 2019. Accordingly, we do not express such an opinion or conclusion. 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 Company and the SIPC and is not intended to be and should not be used by anyone other than these specified parties.



Haynie & Company  
Salt Lake City, Utah  
August 28, 2019

**SIPC-7**

(36-REV 12/18)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**

**SIPC-7**

(36-REV 12/18)

For the fiscal year ended **6/30/2019**

(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:

14299 FINRA JUN  
WILSON DAVIS & CO INC  
PO BOX 11587  
SALT LAKE CITY UT 84147-0587

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.

Lyle Davis 801-532-1313

2. A. General Assessment (item 2e from page 2)	\$ <u>16,500</u>
B. Less payment made with SIPC-6 filed (exclude interest)	( <u>7,944</u> )
_____ Date Paid	
C. Less prior overpayment applied	( _____ )
D. Assessment balance due or (overpayment)	<u>8,556</u>
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)	\$ <u>8,556</u>
G. PAYMENT: <input checked="" type="checkbox"/> the box Check mailed to P.O. Box <input type="checkbox"/> Funds Wired <input type="checkbox"/> ACH <input type="checkbox"/>	
Total (must be same as F above)	\$ <u>8,556</u>
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.

Wilson-Davis & Co., Inc.

(Name of Corporation, Partnership or other organization)



(Authorized Signature)

Dated the 23 day of August, 20 19

Chairman

(Title)

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.

<b>SIPC REVIEWER</b>	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 **7/1/2018**  
and ending **6/30/2019**

**Eliminate cents**  
**11,033,594**

**Item No.**

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

\$ 11,033,594

**2b. Additions:**

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

\_\_\_\_\_

(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.

\_\_\_\_\_

(7) Net loss from securities in investment accounts.

\_\_\_\_\_

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.

\_\_\_\_\_

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

\_\_\_\_\_

(5) Net gain from securities in investment accounts.

\_\_\_\_\_

(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.

\$ 33,373

(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)

33,373

Total deductions

33,373

2d. SIPC Net Operating Revenues

\$ 11,000,221

2e. General Assessment @ .0015

\$ 16,500