

SEC
Mail Processing
Section
FEB 23 2015
Washington DC
404

SECU



15045209

MISSION

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

2/23/14

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

SEC FILE NUMBER
8-50894

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2014 AND ENDING 12/31/2014
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MFD Distributor, LLC

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

550 Science Drive

(No. and Street)

Madison

Wisconsin

53711

(City)

(State)

(Zip Code)

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

W. Richard Mason

480-443-9537

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGladrey LLP

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

One South Wacker Drive, Suite 800, Chicago, Illinois, 60606

(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)

2/24/15

MFD Distributor, LLC

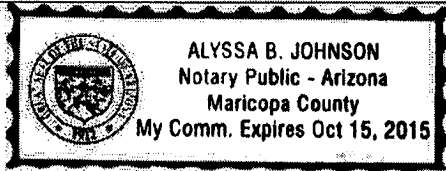
Financial Report
December 31, 2014

Filed as PUBLIC information pursuant to Rule 17a-5(d) Under the
Securities Exchange Act of 1934.

OATH OR AFFIRMATION

I, W. Richard Mason, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MFD Distributor, LLC, as of December 31, 2014, 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:

Not applicable



W. Richard Mason

Signature

Principal

Title

Alyssa B. Johnson
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

Contents

Independent Auditor's Report	1
Financial Statements	
Statement of financial condition	2
Statement of operations	3
Statement of changes in member's capital	4
Statement of cash flows	5
Notes to financial statements	6 – 7
Supplementary Schedules	
I. Computation of net capital under Rule 15c3-1	8
II. Computation for determination of reserve requirements under Rule 15c3-3	9
III. Information relating to possession or control requirements under Rule 15c3-3	9



Independent Auditor's Report

To the Member
MFD Distributor, LLC
Madison, Wisconsin

We have audited the accompanying statement of financial condition of MFD Distributor, LLC (the Company) as of December 31, 2014, and the related statements of operations, changes in member's capital and cash flows for the year then ended, and the related notes to the financial statements. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 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.

The supplementary information contained in Schedules I, II, and III (the Supplemental Information) has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The Supplemental Information is the responsibility of the Company'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 supplementary information contained in Schedules I, II, and III is fairly stated, in all material respects, in relation to the financial statements as a whole.

McGladrey LLP

Chicago, Illinois
January 30, 2015

MFD Distributor, LLC

**Statement of Financial Condition
December 31, 2014**

Assets

Cash	\$ 37,128
Prepaid expenses	22,283
Accounts receivable	3,447
Due from affiliate, net	<u>3,435</u>

Total Assets	<u>\$ 66,293</u>
---------------------	-------------------------

Liabilities and Member's Capital

Liabilities	
Accrued expenses	<u>\$ 125</u>

Member's Capital	<u>66,168</u>
------------------	---------------

Total Liabilities and Member's Capital	<u>\$ 66,293</u>
---	-------------------------

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

MFD Distributor, LLC

Statement of Operations
Year Ended December 31, 2014

Revenue:	
Dealer and underwriter concessions	\$ 179,226
Contract revenue	107,500
12b-1 service fee commissions	2,561
	<u>289,287</u>
Expenses:	
Expenses allocated from affiliates	231,738
Regulatory fees and expenses	38,168
Operating expenses	15,041
	<u>284,947</u>
Net income	<u><u>\$ 4,340</u></u>

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

MFD Distributor, LLC

**Statement of Changes in Member's Capital
Year Ended December 31, 2014**

Balance, December 31, 2013	\$ 61,828
Net income	<u>4,340</u>
Balance, December 31, 2014	<u><u>\$ 66,168</u></u>

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

MFD Distributor, LLC

Statement of Cash Flows
Year Ended December 31, 2014

Cash Flows from Operating Activities	
Net income	\$ 4,340
Adjustment to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Increase in prepaid expenses	(1,716)
Increase in accounts receivable	(1,117)
Increase in due to/from affiliate, net	(4,543)
Increase in accrued expenses	125
Net cash used in operating activities	<u>(2,911)</u>
 Decrease in cash	 (2,911)
 Cash:	
Beginning	<u>40,039</u>
 Ending	<u><u>\$ 37,128</u></u>

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

MFD Distributor, LLC

Notes to Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

MFD Distributor, LLC (the Company) is a Wisconsin limited liability company formed on December 19, 1997. The Company is a registered broker-dealer with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA). The Company is a wholly-owned subsidiary of Madison Investment Holdings, Inc. (MIH). The Company's sole business activities are to serve as the marketing agent and distributor of various mutual funds which are managed by Madison Asset Management (MAM), whose voting shares are wholly-owned by MIH, and collectively referred herein as, the Madison Funds and the Ultra Series Fund.

The Company operates under the provisions of Paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of Rule 15c3-3. Essentially, the requirements of Paragraph (k)(1) provide that the Company limits its transactions to the purchase, sale, and redemption of redeemable securities of mutual funds and promptly transmits all funds received and delivers securities to customers.

The following is a summary of the Company's significant accounting policies:

Accounting policies: The Company follows generally accepted accounting principles (GAAP), as established by the Financial Accounting Standards Board (the FASB) to ensure consistent reporting of financial condition, results of operations and cash flows.

Use of estimates: The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Contract revenue represents amounts earned for services related to its marketing and distribution of mutual funds. Dealer and underwriter concessions are earned on the sale of Class A shares of the Madison Funds. 12b-1 service fee commissions are earned on shares held directly with the Madison Funds and the Ultra Series Fund. Contract revenue and 12b-1 service fee commissions are earned as such services are provided. Dealer and underwriter concessions are recorded on a trade-date basis as securities transactions occur.

Income taxes: As a wholly-owned subsidiary of MIH, the Company is not subject to federal income tax, but may be subject to certain state taxes. The FASB provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. For the year ended December 31, 2014, management has determined that there are no material income uncertain tax positions.

The Company is not subject to examination by U.S. federal or state taxing authorities for tax years before 2011.

Subsequent events: The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued and noted none.

Note 2. Significant Business Relationships and Related-Party Transactions

The Company relies entirely on the operational support of MIH and MAM for its day-to-day staffing and operations.

All persons associated with the Company are or were employees or officers of MIH and such firms share office space and supplies among each other. The relationship between the Company, MIH and MAM is documented in Service Agreements between the companies. MIH and MAM's combined service agreement is documented in a Compensation and Reimbursement Agreement dated July 1, 2009 (collectively, the Service Agreements), and amended and restated dated January 1, 2013. The Service Agreements will terminate in the event the respective affiliated investment adviser ceases to serve as the investment advisor to the Madison Funds and/or the Ultra Series Fund, respectively.

The Company earned \$179,226 of dealer and underwriter concessions from the Madison Funds for the year ended December 31, 2014. The Company earned contract revenue from MAM in the amount of \$107,500 and was allocated \$231,738 of expenses from MAM for the year ended December 31, 2014. The due from affiliate, net, balance on the statement of financial condition consists primarily of the net receivable related to the amounts noted above.

Note 3. Net Capital Requirements

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule (SEC 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. Rule 15c3-1 also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1. At December 31, 2014, the Company had net capital of \$37,003, which was \$32,003 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 0.003 to 1.

Note 4. Indemnifications

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote.

MFD Distributor, LLC

**Computation of Net Capital Under Rule 15c3-1
December 31, 2014**

Schedule I

Net capital:	
Total member's capital	\$ 66,168
Deductions and/or charges:	
Non-allowable assets:	
Prepaid expenses	22,283
Accounts receivable	3,447
Due from affiliate, net	<u>3,435</u>
 Net capital	 37,003
 Computation of basic net capital requirement, minimum net capital required	 <u>5,000</u>
 Excess net capital	 <u><u>\$ 32,003</u></u>
 Aggregate indebtedness	 <u><u>\$ 125</u></u>
 Ratio: Aggregate indebtedness to net capital	 <u><u>0.003 to 1</u></u>

Note: There are no material differences between the above computation and the Company's corresponding unaudited Form X-17A-5 as of December 31, 2014.

MFD Distributor, LLC

**Computation for Determination of Reserve Requirements
Under Rule 15c3-3
December 31, 2014**

Schedule II

None, the Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission pursuant to the provisions of subparagraph (k)(1) thereof.

**Information Relating to Possession or Control Requirements
Under Rule 15c3-3
December 31, 2014**

Schedule III

None, the Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission pursuant to the provisions of subparagraph (k)(1) thereof.

MFD Distributor, LLC

Exemption Report
December 31, 2014

Filed as PUBLIC information pursuant to Rule 17a-5(d) Under the Securities Exchange Act of 1934.

MFD Distributor, LLC's Exemption Report

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

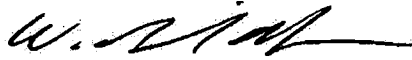
(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k)(1).

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

MFD Distributor, LLC

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

By:



Title: Principal and CCO

January 30, 2015



Report of Independent Registered Public Accounting Firm

To the Board of Directors
MFD Distributor, LLC
Madison, Wisconsin

We have reviewed management's statements, included in the accompanying MFD Distributor, LLC's Exemption Report, in which (a) MFD Distributor, LLC (the Company) identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: (k)(1) (the exemption provisions) and (b) the Company stated that the Company met the identified exemption provisions throughout the year ended December 31, 2014 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

McGladrey LLP

Chicago, Illinois
January 30, 2015