Apex Clearing Corporation

Statement of Financial Condition

June 30, 2024

(Unaudited)

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APEX CLEARING CORPORATION
STATEMENT OF FINANCIAL CONDITION

	June 30, 2024
	(Unaudited)
Assets	
Cash	$ 109,202,753
Cash - segregated for regulatory purposes	4,822,942,018
Restricted collateral held in trust	1,387,594,358
Securities - segregated for regulatory purposes, at fair value	1,836,323,300
Securities borrowed	20,885,142
Receivables, net	
Customers	1,392,422,443
Receivables from affiliates	1,514,713
Brokers, dealers, correspondents and clearing organizations (net of allowance of $235,314)	242,328,710
Total receivables, net	1,636,265,866
Property and equipment, net	8,024,100
Operating lease right-of-use assets	3,333,270
Equity securities - user-held fractional shares	262,402,043
Other assets	82,973,127
Total assets	**$ 10,169,945,977**
Liabilities and stockholder's equity	
Securities loaned	$ 1,406,280,050
Payables	
Customers	7,707,596,913
Brokers, dealers, correspondents and clearing organizations	118,662,135
Payables to affiliates	3,434,225
Accrued expenses and other liabilities	96,431,996
Total payables	7,926,125,269
Equity securities - repurchase obligations	262,402,043
Operating lease right-of-use liabilities	4,526,201
Total liabilities	**9,599,333,563**
Commitments and contingencies	
Stockholder's equity	
Common stock, $0.10 par value	10,000
200,000 shares authorized; 100,000 issued and outstanding	
Preferred stock, $1.00 par value	1
1,000 shares authorized; 1 issued and outstanding	
Additional paid-in capital	333,642,059
Retained earnings	236,960,354
Total stockholder's equity	**570,612,414**
Total liabilities and stockholder's equity	**$ 10,169,945,977**

See accompanying notes to the statement of financial condition.

APEX CLEARING CORPORATION
NOTES TO THE STATEMENT OF FINANCIAL CONDITION
(Unaudited)

1. ORGANIZATION AND NATURE OF BUSINESS

Apex Clearing Corporation (the "Company") was incorporated on December 12, 1978 in the State of New York. The Company is a wholly owned subsidiary of Apex Fintech Solutions Inc. ("Apex Fintech").

The Company operates as a clearing broker-dealer specializing in clearing and executing trades in stocks, options, bonds, mutual funds and exchange traded funds ("ETFs"). In addition, the Company offers services to introducing brokers and registered investment advisors ("clients") whereby it will clear trades, carry accounts and custody cash and securities for customers of introducing brokers and registered investment advisors or direct customers ("customers") on either a fully disclosed or omnibus basis. The Company also provides prime brokerage, margin lending, securities lending, and other back office services to customers of introducing brokers, as well as direct customers and joint back office counterparts.

The Company is registered with the U.S. Securities and Exchange Commission ("SEC") and with the Commodity Futures Trading Commission ("CFTC"). The Company is also a member of the Financial Industry Regulatory Authority ("FINRA"), is a non-clearing Futures Commission Merchant ("FCM") registered with the National Futures Association ("NFA"), and is a member of the Securities Investor Protection Corporation ("SIPC"). The Company is a member of various exchanges, the National Securities Clearing Corporation ("NSCC"), the Options Clearing Corporation ("OCC"), and is a participant in the Depository Trust Company ("DTC"). The Company operates in the securities brokerage industry and has no other reportable segments.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The Statement of Financial Condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as established by the Financial Accounting Standards Board ("FASB"). The preparation of the Statement of Financial Condition in conformity with U.S. GAAP requires the Company to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosures of contingent assets and liabilities in the notes to the Statement of Financial Condition at the date of the Statement of Financial Condition. On an ongoing basis, management evaluates its significant estimates, including, but not limited to, the useful lives of property and equipment, the estimate of credit losses and provision for income taxes. In accordance with U.S. GAAP, management bases its estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Actual results could differ materially from such estimates. Management believes that the estimates utilized in preparing the Statement of Financial Condition are reasonable.

Cash

The Company has cash on deposit with major financial institutions. The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Company has significant balances and/or activity with several banks that have no history of defaults, nor have they had a previous issue with customer deposits and all balances are held in banks that are FDIC insured. In addition, on a regular basis the Company reviews their banks' public regulatory submissions to review creditworthiness and liquidity stress test results. Based on the above factors, it has been determined that there is no material current expected credit loss under Accounting Standards Update, ("ASU"), No. 2016-13, *Measurement of Credit Losses on Financial Instruments – Credit Losses* ("ASC 326") for any cash deposits, including those segregated under Federal and other regulations.

Cash - Segregated for Regulatory Purposes

The Company, as a regulated broker-dealer and FCM, is subject to the customer protection rule, and is required by its primary regulators, the SEC, FINRA, and the CFTC to segregate cash to satisfy rules regarding the protection of client assets under SEC Act of 1934 rule 15c3-3 ("Rule 15c3-3") and CFTC Title 17, which are subject to withdrawal restrictions.

Restricted Collateral Held in Trust

The Company provides a ‘fully-paid securities lending program’ to its customers, under which enrolled customers loan their fully paid and excess margin securities to the Company who in turn lends those securities to various market participants. Under the requirements of Rule 15c3-3, the Company fully collateralizes these loans with cash and/or U.S. government securities.

Receivable from and Payable to Customers

Amounts receivable from and amounts payable to customers include amounts due on cash and margin transactions. Receivables from customers consist primarily of fully collateralized margin loans. It is the Company’s policy to settle these transactions on a net basis with its customers, as the right of offset exists in each customer agreement.

Securities owned by customers are held as collateral for receivables. Receivables and payables are reflected in the Statement of Financial Condition on a settlement-date basis. Margin interest income is accrued daily based on rates of interest agreed to in customer agreements.

Collateral is required to be maintained at specified minimum levels at all times. If the value or liquidity of that collateral declines, or if margin calls are not met, the Company may consider a variety of credit enhancements, including, but not limited to, seeking additional collateral. In valuing receivables that become less than fully collateralized, the Company compares the estimated fair value of the collateral, deposits, and any additional credit enhancements to the balance of the loan outstanding and evaluates the collectability from the customer or the clients based on various qualitative factors, including, but not limited to, the creditworthiness of the counterparty and the nature of the collateral and available realization methods. The Company records a loss, to the extent that the collateral, and any other rights the Company has against the customer or the related introducing broker are not sufficient to cover the deficit in the account.

Generally, receivables from customers are created through secured margin lending by the Company and through market activity that can create a cash shortage. This shortage is secured by positions that, when liquidated, reduce and/or eliminate the Company’s customer receivable. This category also includes interest and all other fees that are directly charged to the customer’s account that become a component of the Company’s customer receivable. The risk of loss is the failure of the customer to repay its obligation to the Company, in which case, the Company has the right to pursue the customer’s broker by either reducing commissions paid to the client or by charging the client’s deposit account. The client’s security deposit would be required to be replenished in accordance with the terms of their agreement with the Company.

Customers and clients each enter into margin agreements setting rules of conduct between the customer, client, and the Company. The Company monitors customer receivables and implements loss mitigation policies that include securing customer receivables with marketable positions, reviewing daily reports indicating customer unsecured receivables, and securing customer debits by charging correspondents monthly for any customer’s unsecured receivable. Additionally, to ensure all costs associated with the departure of a customer are received by the Company, customers are required to leave a portion of their accounts with the Company to absorb any final costs that had not yet been charged to the customer. Any residual account value is returned to the customer after all costs are charged to their account. The primary loss associated with a customer receivable will be incurred by the client, as the client’s security deposits serve to secure any customer receivable losses. As of June 30, 2024, the Company has no allowance for credit losses for unsecured customer receivables.

Investments in Securities

The Company’s investments in securities are recorded on a trade date basis and are reflected at fair value on the Statement of Financial Condition. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date. Interest income and expense include premiums and discounts amortized and accreted on debt investments.

Receivables from and Payables to Brokers, Dealers, Correspondents and Clearing Organizations

Receivables include amounts receivable relating to open transactions, non-customer receivables, and amounts related to unsettled securities activities. Payables include amounts payable relating to open transactions, non-customer payables, and amounts related to unsettled securities activities. These balances are reported net by counterparty when the right of offset exists.

Receivables from clearing organizations include cash deposited with central clearing agencies for the purposes of supporting clearing and settlement activities and amounts due from DTC, NSCC, OCC and CFTC. Each has specific industry standard daily reconciliations of their securities activity, net settlements, and a daily update of margin and clearing fund requirements for NSCC, OCC and CFTC. DTC's clearing fund requirement is updated monthly. There is no prior loss history with these clearing organizations. Risk of loss from clearing organizations is expected to be immaterial over the life of these receivables. As of June 30, 2024, the Company recorded an allowance for credit losses ("ACL") of $235,314 for unsecured receivables from broker-dealer omnibus accounts.

The Company collects commissions and other fees from customers either monthly or periodically through the month. As stipulated by individual agreements with clients, the Company remits net amounts due to clients after deducting charges for clearing, execution, and others as applicable.

Securities Failed to Deliver and Securities Failed to Receive

Securities failed to deliver or securities failed to receive represent sales and purchases of securities by the Company, respectively, either for its account or for the accounts of its customers or other brokers and dealers, which were not delivered or received on settlement date. Such transactions are initially measured at their contracted value. These amounts are included in Receivables from and Payables to Brokers, Dealers, Correspondents and Clearing Organizations in the Statement of Financial Condition.

Securities failed to deliver fall under the scope of ASC 326 and are subject to losses due to counterparty risk as well as market risk through buy-ins. The Company is a participant in Continuous Net Settlement ("CNS"), the process used by NSCC that guarantees and nets street-wide activity, confirms all activity and ending positions, and marks them to market daily. The Company also participates in Obligation Warehouse, who reprices and attempts to settle certain outstanding fails through the automated CNS process. Broker fails outside of CNS and Obligation Warehouse occur infrequently and are immaterial.

Risk of loss of CNS fails is very low as they are marked to market daily and guaranteed by NSCC. Non-CNS fails receivable are collateralized by securities. The Company's use of Obligation Warehouse reduces overall non-CNS fails coupled with continuous monitoring has resulted in minimal losses over the past three years. Based on the above factors, there is no current expected credit loss under ASC 326 for Securities failed to deliver as of June 30, 2024.

Securities Borrowed and Securities Loaned and Reverse Repurchase Agreements

Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received, respectively, with all related securities, collateral, and cash both held at and moving through DTC as appropriate for each counterparty. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. Securities loaned transactions require the receipt of collateral by the Company in the form of cash in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities borrowed and loaned daily, with additional collateral obtained or returned as necessary. Transactions involving securities purchased under agreements to resell ("reverse repurchase agreements" or "reverse repos") are accounted for as collateralized agreements, which are classified as Securities purchased under agreements to resell - segregated for regulatory purposes within the Statement of Financial Condition. The Company enters into reverse repurchase agreements as part of its cash management strategy. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Securities borrowed and loaned fees represent interest or (rebate) on the cash received or paid as collateral on the securities borrowed or loaned. Interest on such contract amounts is accrued. Interest receivable and interest payable are included in the Statement of Financial Condition in Receivable from broker-dealers, and Accrued expenses and other liabilities, respectively.

The Company applies a practical expedient to ASC 326 regarding its securities borrowed and loaned balances and their underlying collateral. Inherent in this activity, the Company and its counterparties to securities borrowed and loaned transactions, mark to market the collateral, securing these transactions on a daily basis through DTC. The counterparty continually replenishes the collateral securing the asset in accordance with standard industry practice. Based on the above factors, there is no current expected credit loss under ASC 326 for Securities borrowed and loaned transactions as of June 30, 2024.

Other Assets

Other assets are comprised of interest and other receivables, prepaid expenses, loan receivable, and DTC stock. Other assets include other receivables that are measured at amortized cost and are within the scope of ASC 326. Expected credit losses are measured based on historical experience, current conditions and forecasts that affect collectability of the reported amounts. Due to the short duration of the receivables and the creditworthiness of the counterparties, there are no material credit losses related to these financial assets as of June 30, 2024.

Operating Leases

The Company determines if an arrangement is a lease for accounting purposes at the inception of the agreement and accounts for the lease as either a financing lease or an operating lease, depending on the terms and conditions of the lease. The Company has elected to apply the practical expedient which allows the Company to account for lease and non-lease components of a contract as a single leasing arrangement. The Company records right-of-use (“ROU”) assets and lease obligations for its operating leases, which are initially recognized based on the discounted future lease payments over the term of the lease.

A rate implicit in the lease when readily determinable is used in arriving at the present value of lease payments. As most of the Company's leases do not provide an implicit rate, the Company uses an incremental borrowing rate (“IBR”) based on information available at lease commencement date in determining the present value of lease payments. In determining the appropriate IBR, the Company considers information including, but not limited to, the lease term and the currency in which the arrangement is denominated.

Lease term is defined as the non-cancelable period of the lease plus any options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. The Company does not separate lease components from non-lease components across all lease categories. Variable lease payments are expensed as incurred and are not included in measurement of ROU assets and lease liabilities. Rent expense for operating leases is recognized using the straight-line method over the term of the agreement beginning on the lease commencement date. Operating lease ROU assets are subject to evaluation for impairment or disposal on a basis consistent with other long-lived assets.

As of June 30, 2024, the Company had no finance leases

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation and amortization, and consist primarily of computer hardware and furniture, fixtures, and equipment. Depreciation is recorded using the straight-line basis and estimated useful service lives of the assets, which range from three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Property and equipment are reviewed annually for impairment, with no such impairment loss recorded in the current year.

Equity Securities - User-Held Fractional Shares

The Company facilitates end-user customer purchases and sales on a notional or fractional basis through its principal account. Fractional shares held by customers do not meet the criteria for derecognition under ASC 860, *Transfers and Servicing,* and are accounted for as a secured borrowing with a repurchase obligation. When a customer purchases a fractional share, the Company recognizes the cash received for the user-held fractional share as pledged collateral, recorded as Equity securities - user-held fractional shares, and an offsetting liability to repurchase the share, recorded as Equity securities - repurchase obligations in the Statement of Financial Condition. The Company measures these financial assets and the corresponding financial liabilities for fractional shares at fair value. The fair value of the fractional share financial assets is determined using quoted prices in active markets. The Company earns transaction-based revenue when shares are purchased or sold to fulfill customer fractional share transactions.

Revenue Recognition

Revenue from contracts with customers is recognized based on the following five-step model:

- Identification of the contract(s) with a customer,
- Identification of the performance obligation(s) in the contract,
- Determination of the transaction price,
- Allocation of the transaction price to the performance obligations in the contract,
- Recognition of revenue when, or as, we satisfy each performance obligations.

The Company records revenue when, or as, performance obligations are satisfied by transferring control of a promised good or service to the customer, in an amount that reflects the consideration we expect to be entitled to in exchange for the products and services we transfer to the customer. The Company evaluates the transfer of control primarily from the customer's perspective where the customer has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service.

Transaction-Based Revenue, Net

The Company's revenue from contracts with customers is recognized when or as a performance obligation is satisfied, which is in the month that services are provided. These performance obligations are primarily to provide brokerage, clearing, execution and other support services. The Company bills each client for such services monthly, with payment terms of net 30 days. Revenues are earned primarily from customer transactions and assets under custody.

Transaction-based revenues, net include clearing fees, execution fees and other contract revenues based on customer's account activity. Clearing and execution revenue is driven by trade volume plus monthly charges for processing capability. This revenue is recognized on a trade date basis.

The customer account fees consist of proxy and other shareholder correspondence fees, funded account fees, new account fees, ACAT fees, paper statement fees, bank ACH fees and wire fees. Proxy and other shareholder correspondence fees represent variable consideration driven by the volume of correspondence services performed and rates determined by the respective regulatory authorities. Proxy and other shareholder correspondence fees are estimated based on the expected value method and recognized to the extent that it is probable that a significant reversal of the revenue recognized will not occur when the actual volume of proxy services performed during the month is reported to the Company by third-party service providers. Funded account fees, new account fees, ACAT fees and paper statement fees are recognized as revenue as the customers receive and consume the benefits of the Company's service as the custodian of the customers' assets. Remaining customer account fees are recognized as the respective performance obligations are satisfied by the Company in the month the transactions occur.

Regulatory, clearing organization, exchange fees, and trading activity fees charged to clients are recognized as reimbursable fees. The Company computes reimbursable fees at the prevailing rates determined by the respective regulators and third party service providers, rounding these fees up to the nearest penny. The Company charges certain regulatory fees to every customer's sell side trades. The Company pays invoices received from execution venues for regulatory fees charged at those venues. If the fees charged by venues is less than the fees charged to clients, the Company may recognize revenue. Revenue is recognized when the Company believes there are no further obligations to pay to the venues for the applicable reporting period. The Company recognizes this revenue in the month in which the revenue is earned, which is when the service is performed, and the Company's performance obligations are satisfied.

Net Interest Income

Net interest income includes margin interest income, interest on corporate and customer cash, cash sweep and securities lending revenue, less amounts shared with clients and customers of clients. Interest income and expense are recognized under the accrual basis by applying the interest rate to the balance of the respective investment or lending transactions over the length of the term that interest is earned or incurred.

Other Revenue

Other revenue consist of firm trading gains or losses, realized and unrealized gains or losses resulting from observable price changes on treasuries and other investments.

Translation of Foreign Currencies

The Company's functional base currency is the U.S. Dollar and its clients have a minimal amount of assets and liabilities denominated in foreign currencies. The assets and liabilities denominated in foreign currencies are translated at month end rates of exchange and result in no risk to the Company, as these are client assets and liabilities, not the Company's. The Company has limited foreign currency exchange exposure and does not hedge its foreign currency risk.

Share-Based Compensation

The Company's employees participate in Apex Fintech's stock-based compensation plan. Share-based compensation is accounted for under ASC 718, *Compensation - Stock Compensation* ("ASC 718"), which recognizes awards at fair value on the date of grant and the recognition of compensation expenses over the period during which an employee is required to provide services in exchange for the awards, known as the requisite service period (usually, the vesting period). The grant date fair value is utilized for restricted stock unit awards ("RSUs") and stock options. Time-based and graded vesting service awards are recognized on a straight-line basis over the employees' requisite service period. To date, Apex Fintech has issued share-based awards with only service-based vesting conditions. All share-based awards are classified as equity, as they may only be settled in shares of the Apex Fintech's common stock.

Subsequent to the vesting period, earned stock-settled restricted stock units (equity classified) are paid to the holder in shares of Apex Fintech common stock, provided the holder is still employed with the Company as of the vesting date.

Self-Insurance

The Company is self-insured up to certain limits for the majority of its medical benefit plan. The program contains individual stop loss thresholds of $150,000 per member throughout the year. The amount in excess of the self-insured levels is fully insured by third party insurers. Projections of future loss expenses are inherently uncertain because of the random nature of insurance claims occurrences and could be significantly affected if future occurrences and claims differ from these assumptions and historical trends.

Income Tax

The Company files a consolidated U.S. income tax return with Apex Fintech on a calendar year basis and combined or separate returns for state tax purposes where required. Deferred tax assets and liabilities are determined based on the temporary differences between carrying amounts and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be settled or realized. Uncertain tax positions are recognized if they are more likely than not to be sustained upon examination, based on the technical merits of the position. Changes in the unrecognized tax benefits occur on a regular basis due to tax return examinations and settlements that are concluded, statutes of limitations that expire, and court decisions that are issued that interpret tax law. There are positions involving taxability in certain tax jurisdictions and timing of certain tax deductions for which it is reasonably possible that the total amounts of unrecognized tax benefits for uncertain tax positions will significantly decrease within twelve months because the tax positions may be settled in cash or otherwise resolved with taxing authorities. When applicable, a valuation allowance is established to reduce any deferred tax asset when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized. Current and deferred tax expense is allocated to the Company based on a "separate return" method. Under this method the Company is assumed to file a separate return with the tax authority, thereby reporting the Company's taxable income or loss and paying the applicable tax to or receiving the appropriate refund from Apex Fintech. The Company's current provision is the amount of tax payable or refundable on the basis of a hypothetical, current-year separate return. Any difference between the tax provision (or benefit) allocated to the Company under the separate return method and payments to be made to (or received from) Apex Fintech for tax expense are ultimately settled through cash transfers.

Recently Accounting Pronouncements – Issued but not yet Adopted

On December 14, 2023, the FASB issued ASU 2023-09, *Improvements to Income Tax Disclosures* (“ASU 2023-09”). ASU 2023-09 requires disaggregated information about a reporting entity’s effective tax rate reconciliation as well as information on income taxes paid. The standard is intended to benefit investors by providing more detailed income tax disclosures that would be useful in making capital allocation decisions. The guidance is effective for annual periods beginning after December 15, 2024 and should be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted.

On November 27, 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 expands public entities’ segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment’s profit or loss and assets. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently assessing the impacts of adopting ASU 2023-07 on its financial statements and disclosures.

3. CASH AND SECURITIES SEGREGATED UNDER FEDERAL REGULATIONS

The Company is a registered broker-dealer and is subject to Rule 15c3-3 under the Securities Exchange Act of 1934, the customer protection rule (“Rule 15c3-3”). Rule 15c3-3 requires the maintenance and periodic deposit or withdrawal of cash and/or qualified securities, as defined, in special reserve accounts for the exclusive benefits of customers and proprietary accounts of brokers or dealers (“PABs”). Cash and qualified securities held for the exclusive benefit of customers and PABs under Rule 15c3-3 consist of the following:

	As of June 30, 2024
Customers – Cash[1]	$ 4,728,980,455
Customer – Qualified securities:	
U.S. Treasuries[2]	1,836,323,300
PAB – Cash[1]	73,389,444
Total	**$ 6,638,693,199**

Additionally, the Company is subject to cash segregation requirements under CFTC Regulation 1.32. Cash segregated under CFTC Regulation 1.32 consists of the following:

	As of June 30, 2024
CFTC segregated cash[1]	$ 20,572,119
Cash held at clearing FCM[3]	251,594,094
Total	**$ 272,166,213**

1 Included in the Statement of Financial Condition in Cash – segregated for regulatory purposes.
2 Included in the Statement of Financial Condition in Securities - segregated for regulatory purposes, at fair value.
3 Included in the Statement of Financial Condition in Receivables from customers.

4. RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS, CORRESPONDENTS AND CLEARING ORGANIZATIONS

Receivables

Receivables from brokers, dealers, correspondents and clearing organizations consist of the following:

	As of June 30, 2024
Deposits with clearing organizations	$ 210,038,857
Money market funds	5,986,627
Securities failed to deliver	3,206,225
Other fees and commissions receivable	11,046,681
Receivables from correspondents, net of allowance of $235,314	6,434,698
Proprietary accounts of brokers or dealers	5,615,622
Total	**$ 242,328,710**

Receivable from brokers, dealers, correspondents and clearing organizations are considered past due when payments are not received on a timely basis in accordance with the Company's credit terms. Accounts considered uncollectible are written off. The Company's estimate of the allowance for credit losses is based on historical experience, its evaluation of the current status of receivables, and unusual circumstances, if any.

The following presents the activity in the Company's allowance for credit losses for receivables from brokers, dealers, correspondents and clearing organizations:

	June 30, 2024
Allowance at beginning of period	$ 318,581
Plus: credit loss expense for the current period	160,978
Less: write-offs charged against the allowances	(244,245)
Allowance at end of period	**$ 235,314**

Payable

Payables to brokers, dealers, correspondents and clearing organizations consist of the following:

	As of June 30, 2024
Proprietary accounts of brokers or dealers	$ 48,898,081
Securities failed to receive	14,863,362
Payables to correspondents	54,900,692
Total	**$ 118,662,135**

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

	As of June 30, 2024
Computer hardware	$ 11,097,987
Leasehold improvements	4,168,669
Capitalized internal use software development costs	1,786,324
Furniture, fixtures, and equipment	1,013,078
Total property and equipment	**18,066,058**
Less: Accumulated depreciation and amortization	(10,041,958)
Property and equipment, net	**$ 8,024,100**

6. NETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Substantially all of the Company's securities borrowing and securities lending activity is transacted under master agreements that may allow for net settlement in the ordinary course of business, as well as offsetting of all contracts with a given counterparty in the event of default by one of the parties. However, for financial statement purposes, the Company does not net balances related to these financial instruments. These financial instruments are presented on a gross basis in the Statement of Financial Condition.

The potential effect of rights of setoff associated with the Company's recognized assets and liabilities is as follows:

	Gross Amounts of Recognized Assets and Liabilities	Gross Amounts Offset in the Statement of Financial Condition[1]	Net Amounts Presented in the Statement of Financial Condition	Collateral Received or Pledged[2]	Net Amount[3]
As of June 30, 2024					
Assets					
Securities borrowed	$ 20,885,142	$ —	$ 20,885,142	$ (19,448,386)	$ 1,436,756
Liabilities					
Securities loaned	1,406,280,050	—	1,406,280,050	(1,251,740,632)	$ 154,539,418

1 Amounts represent recognized assets and liabilities that are subject to enforceable master agreements with rights of setoff.
2 Represents the fair value of collateral the Company had received or pledged under enforceable master agreements.
3 Represents the amount for which, in the case of net recognized assets, the Company had not received collateral, and in the case of net recognized liabilities, the Company had not pledged collateral.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes 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. Valuation techniques that are consistent with the market, income, or cost approach, as specified by ASC 820 are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Valuation of these instruments does not require a high degree of judgment, as the valuations are based on quoted prices in active markets that are readily and regularly available.

Level 2 - Inputs other than quoted prices in active markets that are either directly or indirectly observable as of the measurement date, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities. These financial instruments are valued by quoted prices that are less frequently refreshed than those in active markets or by models that use various assumptions derived from or supported by data that is generally observable in the marketplace. Valuations in this category are inherently less reliable than those determined by quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and applicable underlying assumptions. Examples of observable inputs other than quoted prices for the asset or liability are interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates.

Level 3 - Valuations based on inputs that are unobservable and not corroborated by market data. These financial instruments have significant inputs that cannot be validated by readily determinable data and generally involve considerable judgment by management.

The level of input used for valuing securities is not necessarily an indication of the risk associated with investing in those securities.

The following is a description of the valuation methodologies applied to the Company's major categories of assets and liabilities measured at fair value on a recurring basis:

Level 1 – Investment and trading securities – Quoted market prices are used where available.
Level 2 – Investment and trading securities – Relevant quotes from the appropriate clearing organization.

The following table summarizes the assets measured at fair value on a recurring basis based on the three-tier fair value hierarchy:

	Level 1	Level 2	Level 3	Total
As of June 30, 2024				
Assets				
U.S. government securities [1]	$ —	$ 1,836,323,300	$ —	$ 1,836,323,300
Equity securities - user-held fractional shares	262,402,043	—	—	262,402,043
Money market funds [2]	5,986,627	—	—	262,402,043
Total financial assets	**$ 268,388,670**	**$ 1,836,323,300**	**$ —**	**$ 2,361,127,386**
Liabilities				
Equity securities - repurchase obligations	$ 262,402,043	$ —	$ —	262,402,043
Total financial liabilities	**$ 262,402,043**	**$ —**	**$ —**	**$ 262,402,043**

1 Included in Securities - segregated for regulatory purposes, at fair value in the Statement of Financial Condition.
2 Included in Receivables from brokers, dealers, correspondents and clearing organizations in the Statement of Financial Condition.

There were no transfers between levels during the periods presented. U.S. government securities are included in Securities - segregated for regulatory purposes, at fair value in the Statement of Financial Condition.

8. COLLATERAL

The Company receives collateral in connection with margin lending, securities borrowed, and reverse repurchase agreements. Under various agreements, the Company is permitted to pledge the securities held as collateral, use the securities to enter into securities-lending arrangements, or deliver the securities to counterparties to cover short positions. The collateral pledged in securities lending transactions is marked to market on a daily basis and not subject to term commitments.
The Company's collateral under margin lending, securities borrowed, and reverse repurchase agreements is as follows:

	As of June 30, 2024
Accessible collateral from margin lending	$ 2,071,324,370
Accessible collateral from securities borrowed and securities purchased under agreements to resell	18,244,058
Collateral utilized to support securities lending contracts	21,773,646
Collateral pledged in securities lending	1,228,702,128

9. SHORT-TERM BORROWINGS

As of June 30, 2024, the Company had short-term bank credit facilities with eight financial institutions with available borrowing capacity of $575 million at variable terms, and additional guideline capacity from two financial institutions. There were no amounts drawn as of June 30, 2024.

	As of June 30, 2024				
	Committed Unsecured	Uncommitted Unsecured	Uncommitted Secured	Total Facility Size	Expire Date
Facility 1	$ —	$ 10,000,000	$ 125,000,000	$ 125,000,000	None
Facility 2	—	10,000,000	—	10,000,000	None
Facility 5	35,000,000	—	—	35,000,000	January 2025
Facility 6	—	25,000,000	150,000,000	150,000,000	None
Syndicate Line	255,000,000	—	—	255,000,000	April 2025
	$ 290,000,000	**$ 45,000,000**	**$ 275,000,000**	**$ 575,000,000**	

On January 18, 2024 the Company entered into the fourth amendment and modification to revolving credit agreement ("Facility 5 Amended Agreement") with a financial institution, extending the maturity date to January 16, 2025.

On April 26, 2024, ACC entered into the eight amendment to the Syndicate Line Agreement ("Eight Amendment") extending the maturity date to April 25, 2025.

The Company has a demand promissory note with a financial institution ("Facility 11") that provides an uncommitted and unsecured revolving credit facility, that permits the Company to borrow at the discretion of the financial institution. Borrowings under Facility 11 by the Company bear interest at the rate in effect at the time the loan is made plus a margin of 3%.

The Company has an uncommitted and secured revolving credit facility with a financial institution ("Guideline Facility"), that permits the Company to borrow at the financial institution's discretion.

10. COMMITMENTS, CONTINGENCIES AND GUARANTEES

From time to time, the Company may become involved in various legal matters and regulatory inquiries or examinations in the ordinary course of conducting business. The Company accrued $8.8 million for legal and regulatory inquiries or examinations as of June 30, 2024, that is included in the Statement of Financial Condition or the accompanying notes, of which $6 million relates to the expectation that the SEC would charge the Company for failures by the Company and its personnel to maintain and preserve electronic communications.

The Company is required to disclose information about its obligations under certain guarantee arrangements. Guarantees are defined as contracts and indemnification agreements that contingently require a guarantor to make payments for the guaranteed party based on changes in an underlying security (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non-occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. They are further defined as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of indebtedness of others. Guarantees made by a clearing broker-dealer can be a reduction to regulatory Net Capital.

As previously disclosed, the Company is a member of certain clearing organizations. The Option Clearing Corporation ("OCC") is formed as a mutual in which members agree to fund another member's deficit if that member's clearing fund has been extinguished. The OCC has not had a significant issue with a member's deficit. The Company, therefore, cannot estimate any guarantee obligation associated with the OCC membership. Further, management believes the exposure to be remote and therefore, the Company does not take a reduction to regulatory Net Capital for this guarantee nor has a reserve been established in the Statement of Financial Condition.

Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the organization. While the rules governing different exchange memberships vary, in general, the Company's guarantee obligations would arise only if the organization had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the organization. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the Statement of Financial Condition for these agreements and believes that any potential requirement to make payments under these agreements is remote.

11. SHARE CAPITAL

The Company's share capital consists of common stock and preferred stock. Authorized common stock includes 200,000 shares with a par value of $0.10 per share. There are currently 100,000 shares outstanding. Authorized preferred stock includes 1,000 shares with a par value of $1.00 per share. There is currently one share outstanding.

12. SHARE-BASED COMPENSATION

Under the Apex Fintech Solutions, Inc. Equity Incentive Plan ("AFS Equity Plan"), up to 47,000,000.00 shares of Apex Fintech's common stock may be granted as share-based awards to eligible participants, as options to purchase shares of common stock in the form of incentive stock options or nonqualified stock options; stock appreciation rights ("SARs") in the form of tandem SARs or free-standing SARs; stock awards in the form of restricted stock awards ("RS Awards"), restricted stock unit awards ("RSUs") or other stock awards; and performance awards. Shares granted under the AFS Equity Plan will be issued from authorized but unissued shares.

The AFS Equity Plan is administered by the Compensation Committee of Apex Fintech's Board of Directors. The Compensation Committee has discretionary authority to determine the eligibility to participate in the AFS Equity Plan and establishes the terms and conditions of the awards, including the number of awards granted to each participant and all other terms and conditions applicable to such awards in individual grant agreements.

Restricted Stock Unit Awards

The following table summarizes the activity for RSUs for the six months ended June 30, 2024:

	Number of RSUs	Weighted- average grant date fair value
Unvested at December 31, 2023	179,083	$ 8.13
Vested	(147,333)	$ 8.54
Unvested at June 30, 2024	31,750	$ 6.21

RSUs represent the right to receive one share of the Apex Fintech's common stock upon vesting. No RSUs were granted under the AFS Equity Plan for the six months ended June 30, 2024.

Stock Options

During the six months ended June 30, 2024, the Apex Fintech granted 224,944 stock options to certain of the Company's employees that vest over a 4-year period. Options are expensed on a straight-line basis over the required service period, based on the estimated fair value of the award on the date of grant. These options are subject to graded vesting, beginning on the first anniversary of the grant date, so long as the employee remains continuously employed by the Company. The maximum term of these stock options is ten years.

The fair value of the stock options granted during the six months ended June 30, 2024 was estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

	2024
Risk-free interest rate	5.51 %
Dividend yield	0.0 %
Expected stock price volatility	30.0 %
Expected life of stock options (in years)	6.25
Fair value of stock options granted (per share)	$ 1.81

The expected life of options represents the weighted average period of time that the equity awards are expected to be outstanding. The risk-free interest rate assumptions was based on pricing and yields on United States Treasuries with a maturity equal to the expected life of the stock options, and if unavailable, the rate was interpolated using the nearest two known time period. The expected stock price volatility assumption was based on an analysis of the observed implied volatility of a set of guideline companies.

The following table provides a summary of the activity for stock options awarded to the Company's employees for the six months ended June 30, 2024:

	Number of options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Terms (Years)	Weighted-Average Grant Date Fair Value
Outstanding as of December 31, 2023	4,070,350	$ 6.14		$ 2.20
Granted	224,944	$ 4.23		$ 1.81
Vested	(1,248,325)	$ 6.16		$ 2.20
Forfeited	(411,828)	$ 5.65		$ 2.12
Outstanding as of June 30, 2024	2,635,141	$ 6.04	8.12	$ 2.18
Exercisable as of June 30, 2024	2,429,250	$ 6.20	8.01	$ 2.20

13. INCOME TAXES

As of June 30, 2024, the Company has no U.S. federal net operating loss carryforwards and no U.S. state and local net operating loss carryforwards. No valuation allowance was recorded as of June 30, 2024, as the temporary differences disclosed below relate to deferred income tax assets that are more likely than not to be realized in future years. The net deferred tax assets of $4,376,690 is included in Other assets in the Statement of Financial Condition.

The components of the net deferred tax assets and liabilities are as follows:

		As of June 30, 2024
Deferred Income Tax Assets:		
Unrealized loss	$	1,717,969
Operating lease liabilities		1,382,885
Stock based compensation		2,563,905
Accrued expenses		64,115
Allowance for credit losses		484,375
Total deferred tax assets		**6,213,249**
Deferred Income Tax Liabilities		
Operating lease ROU assets		935,095
Property & equipment		692,185
Internally developed software		450,493
Prepaid expenses		86,002
Total deferred tax liabilities		**2,163,775**
Net deferred tax assets	**$**	**4,049,474**

The Company recognizes and measures its unrecognized tax benefits and assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available or when an event occurs that requires a change.

As of June 30, 2024, the Company has $7,570,008 of unrecognized tax benefits. Included in the balance of unrecognized tax benefits are $5,980,306 of tax benefits that, if recognized, would affect the effective tax rate. The Company recognize interest and penalties accrued related to the unrecognized tax benefits as income tax expense. Generally the past three years remain subject to examination by various tax jurisdictions under the statute of limitations. The Company believes it is reasonably possibly that the unrecognized tax benefits may change in the next 12 months due to an ongoing income tax examination, but at this time there is not enough information to make a reasonable estimate of the change.

15. RELATED PARTIES TRANSACTIONS

The Company has regularly entered into certain expense sharing and administrative services agreements whereby PEAK6 Group LLC (“PEAK6 Group”) and certain of its affiliates charge the Company for, among other things, (i) pass through costs for third party vendors that are shared amongst the entities, (ii) rent and related operating expenses, taxes or other amounts due under leases when the Company and/or any of its subsidiaries shares space that is rented by PEAK6 Group or one of its direct or indirect subsidiaries and (iii) costs related to employee services for individuals employed by PEAK6 Group who provide services to the Company and/or its subsidiaries. Management has reviewed expense allocation methodologies and considers them reasonable. PEAK6 Group is a minority shareholder of Apex Fintech and shares common owners with PEAK6 Holdings.

PEAK6 Group LLC

PEAK6 Group provides various support and other services to the Company and is entitled to fees and other payouts pursuant to the terms of a Support Services Agreement between the Company and PEAK6 Group, as amended (the "SSA"). As of June 30, 2024, the Company had a payable to PEAK6 Investments of $1,720,774, included in Payables to affiliates in the Statement of Financial Condition.

PEAK6 Capital Management LLC

The Company and PEAK6 Capital Management LLC ("CapMan") maintain a clearing agreement for clearing and execution services provided by the Company. On January 27, 2015, the Company entered into a joint back office ("JBO") arrangement with CapMan. Under terms of the JBO, CapMan purchased preferred stock from the Company for $25,000. As of June 30, 2024, the Company had a receivable of $18,491 from CapMan that is recorded in Receivables from brokers dealers, correspondents and clearing organizations in the Statement of Financial Condition. As of June 30, 2024, CapMan had a net credit balance in their PAB accounts at the Company of $1,048,561 that are included in Payables to customers in the Statement of Financial Condition.

Apex Fintech Solutions UK Limited

Apex Fintech Solutions UK Limited ("AFS UK"), is a wholly-owned subsidiary of Apex Fintech, provides various support and other services to the Company and is entitled to fees and other payouts pursuant to the terms of the Services and Expense Sharing Agreement between AFS UK and the Company. As of June 30, 2024, the Company had a payable due to AFS UK $825,431 and receivable due from AFS UK of $170 recorded in Payables to affiliates and Receivables from affiliated, respectively, in the Statement of Financial Condition.

AdvisorArch, Inc.

As of June 30, 2024, the Company had a receivable from AdvisorArch, Inc., wholly-owned by Apex Fintech of $228,231 recorded in the Statement of Financial Condition as Receivables from affiliates.

Apex Technologies LLC

As of June 30, 2024, the Company had a receivable from Apex Technologies LLC, a wholly-owned subsidiary of Apex Fintech, of $936,738 recorded in the Statement of Financial Condition as Receivables from affiliates.

Apex Silver LLC

As of June 30, 2024, the Company had a receivable from Apex Silver LLC, a wholly-owned subsidiary of Apex Fintech, of $88,980 recorded in the Statement of Financial Condition as Receivables from affiliates.

Apex Fintech Services LLC

As of June 30, 2024, the Company had a receivable from Apex Fintech Services LLC, a wholly-owned subsidiary of Apex Fintech, of $160,551 recorded in the Statement of Financial Condition as Receivables from affiliates.

Apex Fintech Solutions Inc.

As of June 30, 2024, the Company had a payable to Apex Fintech of $888,020 and a receivable due from Apex Fintech of $100,042 recorded in Payables to affiliates and Receivables from affiliated, respectively, in the Statement of Financial Condition.

15. SIGNIFICANT SERVICE PROVIDERS

On January 1, 2019, ACC entered into a Master Services Agreement ("MSA") with Broadridge Financial Solutions, Inc. ("Broadridge"). The services to be provided by Broadridge or its affiliates, will be provided under written schedules ("Service Schedule"), which will be governed by the terms and conditions of the MSA. The MSA will continue until all Service Schedules to the MSA have expired or have been terminated. The term of each Service Schedule shall begin on the effective date of such Service Schedule and continue for the period defined therein. ACC has entered into various Service Schedules with

Broadridge under which services are provided to ACC with expiration dates that range from December 31, 2026 to December 31, 2028.

16. REGULATORY REQUIREMENTS

The Company is a broker-dealer subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1") under the Securities Exchange Act of 1934 and operates as an futures commission merchant subject to the CFTC Minimum Capital Requirement ("Regulation 1.17"). Under the more restrictive of these rules, the Company is required to maintain "net capital" equivalent to the greater of $1,500,000, 2% of aggregate debit items arising from customer transactions or the greater of the sum of 8% of the futures customer risk maintenance margin requirement plus 8% of the futures non-customer risk maintenance margin requirement or $1,000,000, as these terms are defined. Adjusted Net Capital, aggregate debit items, and risk maintenance margin requirements change daily.

The table below summarizes net capital, minimum net capital, and excess net capital:

	June 30, 2024
Net Capital	$ 445,881,608
Minimum Net Capital	29,407,921
Excess Net Capital	416,473,687

As an FCM, the Company must maintain a risk based net capital requirement not less than 110% of CFTC minimum net capital requirement per CFTC Rule 1.17. The Company's minimum net capital requirement to maintain under the requirement of CFTC Rule 1.17 is $22,536,449 as of June 30, 2024.

17. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company purchases and sells securities and pledges or receives collateral as both principal and agent. If a party to a transaction fails to fulfill its contractual obligation, the Company may incur a loss if the market value of the security is different from the contract amount of the transaction. When the Company acts as principal, it trades various financial instruments and enters into various investment activities, including treasury securities. Each of these financial instruments contains varying degrees of off-balance sheet risk whereby changes in the market values of the securities or other underlying financial instruments may be in excess of the amounts recognized in the Statement of Financial Condition.

Collateral Finance

The Company may be required to pledge eligible collateral with its banking, or securities lending counterparties, or central clearing organizations. In the event a counterparty is unable to meet its contractual obligation to return pledged collateral, the Company may be exposed to the risk of acquiring the underlying securities at prevailing market values. All securities lending counterparty agreements are secured by securities or cash at or in excess of amounts loaned. The Company and its counterparties control this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. It is the Company's policy to periodically review the credit standing of counterparties with which it conducts business.

Customer Margin

In the event a customer or broker fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's or broker's obligations. The Company seeks to control the risks associated with its customer and broker activities by requiring the maintenance of margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels and has established guidelines to require customers and brokers to deposit additional collateral or to reduce positions when necessary. Management believes that the margin deposits and collateral held as of June 30, 2024 were adequate to mitigate the risk of material loss that could be created by positions held at that time.

The Company's policy is to continually monitor its market exposure and counterparty risk and to periodically review the credit standing of all parties with which it conducts business, including correspondents, direct customers, and customers of correspondents. For customers introduced on a fully disclosed basis by introducing broker-dealers, the Company typically has a contractual right of recovery from such introducing broker-dealers in the event of nonperformance by the customer. The Company can offset associated client balances with their applicable correspondent balances if required or applicable. In general, the Company requires a risk deposit from introducing broker-dealers. In the event the customer or introducing broker-dealer does not perform, and the associated risk deposit is insufficient to cover the exposure, the Company is at risk of loss. Additionally, if the Company, on behalf of its correspondents and customers, has sold securities that it does not currently own, it will be obligated to purchase such securities at a future date. The Company may incur a loss if its customers do not perform and the fair value of the sold securities increases subsequent to June 30, 2024.

The Company's customer clearance and settlement activities include the acceptance and clearance of equities, fixed income, futures, and option contracts for its customers, which are primarily institutional, commercial, exchange members and retail customers introduced by registered introducing broker-dealers, and direct customers. The Company guarantees to the respective clearing houses or other broker-dealers its customers' performance under these contracts. In accordance with regulatory requirements and market practice, the Company requires its customers to meet, at a minimum, the margin requirements established by regulatory bodies. These activities may expose the Company to off-balance sheet risk in the event the customer is unable to fulfill its contractual obligation.

As of June 30, 2024 the Company did not have significant concentrations of credit risk with any one customer or counterparty or with any group of customers or counterparties.

18. SUBSEQUENT EVENTS

The Company evaluates subsequent events through the date on which the Statement of Financial Condition was issued. Other than the below items, there have been no material subsequent events that occurred during this period that could require an adjustment to the Statement of Financial Condition or disclosure in the accompanying notes.

On August 14, 2024, the SEC charged the Company for failures by the Company and its personnel to maintain and preserve electronic communications, which was previously referenced in note 10, *Commitments, Contingencies and Guarantees.* The Company admitted to the facts set forth in the SEC order, acknowledging that its conduct violated recordkeeping provisions of the federal securities laws, and agreed to pay a civil penalty of $6 million.