M1 Finance LLC
(SEC I.D. No 8-69670)

Statement of Financial Condition
As of June 30, 2024

M1 Finance LLC

Table of Contents

M1 FINANCE LLC
Statement of Financial Condition
As of June 30, 2024

		2024
		($ in '000s)
Assets		
Cash and cash equivalents	$	27,846
Cash segregated under federal and other regulations		97,078
Deposit with clearing organizations		1,697
Receivable from clearing organizations		3,132
Receivable from customers		191,373
Customer held fractional shares		234,598
Trade receivable		2,503
Investment in securities		1,587
Prepaid expenses and other current assets		431
Property, software and equipment, net		779
Total Assets	**$**	**561,024**
Liabilities and Member's Equity		
Liabilities		
Trade payable and accrued expenses	$	2,252
Payable to clearing organizations		704
Payable to customers		86,852
Fractional shares repurchase obligation		234,598
Securities loaned		179,903
Other liability		315
Debt		10,000
Total Liabilities		**514,624**
Member's Equity		
Capital contributions		29,106
Retained earnings		17,294
Total Member's Equity		**46,400**
Total Liabilities and Member's Equity	**$**	**561,024**

The accompanying notes are an integral part of this financial statement.

M1 FINANCE LLC
Notes to Financial Statement
As of June 30, 2024

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Operations

M1 Finance LLC (the "Firm") is a Delaware Limited Liability Company and a wholly owned subsidiary of M1 Holdings, Inc. (the "Parent"). The Firm is registered as a clearing broker dealer with the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC"). In addition to this, the Firm operates as an introducing broker dealer and maintains an introducing agreement with Apex Clearing Corporation ("Apex").

The Parent maintains an online self directed investing platform designed to help its customers build long-term savings and manage wealth through investments primarily in US listed securities including Exchange Trade Funds ("ETFs") leveraging customer portfolio creation tools and automation. The Firm offers brokage services to retail customers through the platform at no cost. The Firm does not engage in market making or investment banking or securities underwritings and does not provide investment advisory services to its brokerage customers. The Firm does not effect transactions in commodities, commodity futures or commodity options nor does it engage in any other non-securities business activities.

For mid-year ended June 30, 2024, all trades received from customers were unsolicited not held orders and executed within the Firm's daily trading windows. The securities transactions were cleared through M1 Finance LLC, as a self clearing member, and the Firm's correspondent clearing broker, Apex. The Firm maintains a fully disclosed clearing relationship with Apex in addition to operating as a self-clearing broker dealer.

Our Products

The Firm provides a platform for customers to manage their investments in a way that best suits their needs. The Firm believes that customers' financial goals are personal and unique to them and strive to build products that provide choice, control, automation, and transparency.

- ***Investing*** – The Firm provides flexible, customizable, intelligent ways for customers to create portfolios and invest commission free into the U.S. listed securities. The Firm provides template model portfolios to assist customers in portfolio diversifications and asset selection. Customers have the option to set investing schedules or rebalance their portfolios at their discretion. The Firm offers brokerage accounts such as individual cash or margin, joint margin accounts and custodial accounts, individual retirement accounts such as traditional, Roth and simplified employee pension plans ("SEP"), and trust accounts (revocable and irrevocable trusts).

- ***Dollar based trading*** – Dollar based, or fractional trading is the customers' ability to transact in notional dollar amounts rather than whole shares. The Firm enables customers to transact regardless of security price, making it easier to diversify portfolios with smaller amounts of money. The Firm operates its fractional share program for the benefit of its customers and maintains an inventory of securities held exclusively to facilitate the fractional share program.

- ***Access to liquidity*** – The Firm provides eligible users with access to liquidity through margin loans pursuant to Regulation T of the Securites Exchange Act of 1934. The Firm's margin loans are lines of credit on qualifying brokerage assets. The Firm decides whether to extend margin to a customer based on Regulation T requirements and the implied and / or historical volatility of the assets.

- ***Securities lending*** – The Firm provides customers, an option to participate in its Fully Paid for Securities

Lending ("FPSL"), whereby they earn income through fees charged to borrowers for loaned securities.

- ***High-yield cash accounts ("HYCA") –*** Customer funds awaiting investment are eligible to participate in the Firm's Broker Dealer Sweep Program. Clients earn interest on cash deposits in the program, which funds are swept to third party FDIC-insured banks.

Financial Statement Presentation

The accounting policies and reporting practices of the Firm conform to the practices in the broker-dealer industry and are in accordance with generally accepted accounting principles in the United States ("GAAP").

Use of Estimates

The preparation of financial statement in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statement and accompanying notes. Assumptions and estimates used in preparing the financial statement include, but are not limited to, those related to capitalization of internally developed software, useful lives of property, software, and equipment, accrued and contingent liabilities. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statement.

Cash and cash equivalents

The Firm defines cash equivalents as highly liquid investments with original maturities of less than ninety days that are not held for sale in the ordinary course of business. The Firm maintains its operating cash in checking and money market accounts insured by the Federal Deposit Insurance Corporation (FDIC). The Firm may, during the ordinary course of business, maintain balances in excess of federally insured limits. The Firm has not experienced losses on these accounts, and management believes that the Firm is not exposed to significant risks on such accounts.

Cash segregated under federal and other regulations

The Firm is required to segregate cash for the exclusive benefit of customers in accordance with the provisions of Rule 15c3-3 under the Exchange Act. The SEC's Customer Protection Rule requires broker-dealers to segregate customer's fully paid securities, and cash balances not collateralizing margin positions. The Firm manages and minimizes this risk by selecting highly creditworthy financial institutions and periodically reviewing the credit quality of these institutions. As a result, management does not have an expectation of credit losses for these arrangements.

Deposit with clearing organizations

The Firm is required to maintain collateral deposits with clearing organizations such as National Securities Clearing Corporation ("NSCC") and the Depository Trust Company ("DTC") which allows the Firm to perform comparisons, clearance, and settlements of trades. The minimum required deposit amount may fluctuate from time to time based on the customers' trading activity and market volatility. The Firm recognizes these deposits at cost. As of June 30, 2024, there is no impairment.

Receivable from clearing organizations

Receivables from clearing organizations include receivables from market makers, broker-dealers and other clearing organizations for settlement of customer orders for execution, dividends, wash sales and other receivables. The Firm continually reviews the credit quality of its counterparties and have not experienced a default. As a result, the management does not have an expectation of credit losses for these arrangements.

Receivable from/ Payable to customers

The Firm's receivables from its brokerage customers include margin loans and accrued interest on these loans. Margin loans represent credit extended to customers that is fully collateralized against securities owned in their accounts. Collateral is maintained at required levels at all times. The borrowers of a margin loan are contractually required to continually adjust the amount of the collateral as its fair value changes. The Firm subjects the borrowers to an internal qualification process to align investing objectives, and monitors customer activity. The Firm applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for margin loans.

Payable to customers represents customer cash in brokerage accounts resulting from deposits and settled funds from customer trades and other security related transactions.

Securities borrowed and loaned

The Firm operates two distinct securities lending programs, one under its introducing broker service with Apex and another under its clearing broker service. Under the introducing broker service with Apex, the eligible customers have an option to participate in Apex's FPSL program whereby Apex borrows fully paid for securities from customers and lends them to third parties. The Firm, Apex and participating customers receive a portion of fees earned on loaned securities.

Under the clearing broker service, the Firm operates a Margin Securities Lending program and FPSL program. Under the Margin Securities Lending program, the Firm lends securities, pledged by customers for margin borrowing, to third parties. The Firm receives cash collateral of at least 100% of the fair value of the loaned securities. Under the Firm's FPSL program, when securities are borrowed from customers (or from third parties) participating in the program, the Firm provides cash as collateral for the loaned securities and records a receivable representing its right to the return of the collateral, as "securities borrowed" on the statement of financial condition. The market value of securities borrowed is marked to market on a periodic basis, with additional collateral obtained to ensure full collateralization. The Firm applies the practical expedient based on collateral maintenance provisions in estimating an allowance for credit losses for securities borrowed receivables. The Firm has established policies and procedures for mitigating credit risk on securities borrowed transactions, including establishing and reviewing limits for credit exposure, maintaining collateral, and continually assessing the creditworthiness of counterparties. The Firm minimizes credit risk associated with these activities by daily monitoring collateral values and requiring additional collateral to be deposited with the Firm as permitted under contractual provisions. When the Firm lends securities to third parties, the Firm receives cash as collateral, and records a payable representing its obligation to return the collateral, as "securities loaned" on the statement of financial condition.

The Firm's policy is to recognize all amounts that are subject to master netting arrangements (i.e., a right to set off for amounts due to and from the same counterparty as part of the industry standard Master Securities Lending Agreement), on a gross basis in the statement of financial condition even though some of those amounts may be eligible for offset (i.e., to be presented on a net basis) under GAAP. See Note 8 for further details.

Trade receivables

Trade receivables are stated at net realizable value and comprise of the Firm's revenue sharing receivables with third parties, other receivables with affiliates as well as net settlements with the Firm's clearing firm with short time to maturity.

Payable to clearing organizations

Payable to clearing organizations include payables to DTC and NSCC, and other payables arising from the Firm's self-clearing business. These payables have short time to maturity.

Customer held fractional shares and Repurchase obligation under Fractional share program

The Firm operates a fractional share program for the benefit of customers and maintains an inventory of securities held exclusively for the fractional share program. The program provides customers with the ability to transact in less than one whole share through the Firm's fractional facilitation account.

The fractional inventory held by the Firm, under the introducing broker relationship with APEX, is recorded at fair value under "Investment in securities" on our statement of financial condition, based on quoted market prices.

The fractional share inventory held by the Firm, under clearing broker, is not subject to off-balance sheet treatment pursuant to *ASC 940 Financials Services – Brokers and D*ealers and therefore cannot be derecognized under *ASC 860 Transfer and Servicing*. The Firm recognizes an asset for fractional shares purchased by customers under "Customer held fractional shares" and a corresponding offset to liability for the repurchase obligation under "Fractional shares repurchase obligation" on the statement of financial condition. The asset and liability are measured at fair value based on quoted market prices.

Income Taxes

No provisions have been made for income taxes since the Firm is a single member limited liability company and is considered a disregarded entity for income tax purposes. The Parent is liable for income taxes based on the Firm's taxable income.

The Firm follows the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Firm has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Firm believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments.

Investments in securities

The Firm primarily executes trades on an agency basis. The Firm allows for fractional share purchases and maintains a fractional facilitation account for limited principal trading. Securities transactions are recorded on the settled date. Profit and loss arising from customer securities transactions and any risk to the Firm are therefore recorded on a settled date basis. Marketable securities held by the Firm are classified as trading securities and valued at fair value.

Note 2 – Fair Value Measurements

Fair value reflects 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. FASB's *ASC 820 Fair Value Measurements* establishes 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 for the fair value hierarchy under *ASC Section 820-10, Fair Value Measurements and Disclosures* ("ASC 820-10") are described below:

- ***Level 1*** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- ***Level 2*** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- ***Level 3*** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring basis

The Firm utilizes quoted prices in active markets to determine the fair value of its assets and liabilities. The quoted prices for securities reflect end of day close prices that are published by exchanges.

The Firm has elected the fair value option pursuant to *ASC 825 Financial Instruments* for the repurchase obligation to match the measurement and accounting of the related customer held fractional shares. The fair value of the repurchase obligation is measured based on quoted prices consistent with the valuation of customer-held fractional shares.

The table below represents the financial assets and liabilities using fair value measurement as of June 30, 2024:

(in 000's)	**Level 1**	**Level 2**	**Level 3**	**June 30, 2024**
Assets:				
Customer held fractional shares	$ 234,598	$ -	$ -	$ 234,598
Investment in securities	1,587	-	-	1,587
Total Financial Assets	**$ 236,185**	**$ -**	**$ -**	**$ 236,185**

(in 000's)	**Level 1**	**Level 2**	**Level 3**	**June 30, 2024**
Liabilities:				
Fractional shares repurchase obligation	$ 234,598	$ -	$ -	$ 234,598
Total Financial Liabilities	**$ 234,598**	**$ -**	**$ -**	**$ 234,598**

For the mid-year ended June 30, 2024, the Firm noted no transfers between the different levels. As of June 30, 2024, the Firm did not have any assets or liabilities classified as Level 3 inputs.

The fair value of the trade receivables/payables, receivables/payables from broker-dealer and clearing organizations, customer receivables/payables, and other current assets and liabilities approximate their carrying value because of the short maturities of the instruments. Similarly, due to the short-term nature of all other financial assets and liabilities, their carrying values approximate fair value

Note 3 – Accrued expenses and Other liabilities

Accrued expense and Other current liabilities as of June 30, 2024, are composed of the following:

(in 000's)		June 30, 2024
Trade payables	$	16
Accrued expenses:		
Marketing accrual		1,574
Other accruals		662
Total Trade payables and accrued expenses	**$**	**2,252**

(in 000's)		June 30, 2024
Other Liabilities:		
Margin and short securities	$	210
Interest/unused fee payable		104
Unsecured reserve liability		1
Total Other liabilities	**$**	**315**

Note 4 – Risk Factors and Firm's Management Policy

The Firm is subject to numerous risks and uncertainties that can adversely affect operations, financial results and valuation, many of them are beyond the Firm's control and management. The risk factors below are those that management believes to be significant, although there may be other factors that could become more than significant, and adversely affect the financial results.

Interest rate risk – Significant changes in the interest rates may impact the Firm's profitability. A rising interest rate environment increases profitability while increasing the funding cost of capital without an offsetting increase in yield, while a low interest rate environment reduces profitability due to lower interest earnings on spread with favorable financing rates. It is the Firm's policy to monitor both the interest rate environment and its impact on the business.

Free credits or Customer cash allocation – Significant changes in the customer cash balances on the platform, driven by changes in customer preferences for cash allocation or external transfers, impacts the Firm's operations, funding capital requirements and ultimately income within the financial results. It is the Firm's policy to invest in customer acquisition and retention of existing customer base with improved client experience, products, and features to mitigate these risks.

Compliance risk – The Firm is subject to broker-dealer requirements set forth by SEC and FINRA guidelines and rules. The Firm could face penalties and charges for failure to comply with these guidelines that can adversely impact the business. It is the Firm's policy to execute its business in accordance with the best practices to be compliant.

Regulatory risk – The regulatory framework of the brokerage industry evolves with changes in economic and political conditions, customer behavior and needs, and financial markets. These changes may result in significant shifts in industry practices, thereby leading to litigations or limitation on the Firm's business and financial results. It is the Firm's policy to monitor the changes to the regulatory frameworks and invest resources to improve or update our business goals and practices to align with the changing regulatory environment.

Operational risk – The Firm may be subject to information security risk, financial intermediary reliance risk, operational failure risk or service disruption risks which could impact customer confidence in the Firm and its abilities to transact business. It is the Firm's policy to review and implement safeguarding measures against system interruptions and failures arising from continuously evolving security breach methods.

Liquidity risk – Maintaining the Firm's liquidity is crucial to ensure the Firm meets its contractual obligations as they arise. The Firm is subject to the Uniform Net Capital Rule (15c3-1) under the SEC and FINRA rules, which require the maintenance of a minimum net capital for clearing broker dealers. The Firm is also subject to minimum cash deposits with clearinghouses such as DTC and NSCC, which fluctuates based on the volume and nature of customer trading activity. The Firm maintains and monitors its liquidity by utilizing working capital, cash generated from customer activity and external sources of financing.

Credit and concentration risk - The Firm is engaged in brokerage activities in which counterparties primarily include other financial institutions. In the event counterparties do not fulfill their obligations, the Firm may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Firm's policy to review, as necessary, the credit standing of each counterparty. For the mid-year ended June 30, 2024, APEX was the only major counterparty that the Firm engaged in under its introducing broker business.

Note 5 - Regulatory Capital Requirements

The Firm calculates its regulatory capital requirements as permitted by the Uniform Net Capital Rule (15c3-1) of the SEC, which requires a firm to maintain a minimum net capital for financial soundness and liquidity. In addition, the Firm is required to provide notice to, and is required to obtain approval from, the regulators to declare and pay dividends in excess of regulator's established thresholds. The minimum net capital required is computed as greater of fixed dollar minimum requirement of $250,000 or 2% of aggregate debit items arising from customer transactions as defined in SEC Rule15c3-3. The table below summarizes the net capital and net capital requirements of the Firm as of June 30, 2024:

(in 000's)	**June 30, 2024**
Net capital	$ 52,857
Minimum required is greater of:	
Fixed dollar minimum requirement	250
2% of aggregate debit items	3,827
Minimum net capital required	3,827
Net capital in excess of minimum required	$ 49,030

Note 6 - Related Parties

The Firm has an expense sharing agreement with its Parent whereby the Firm makes use of a portion of the Parent's office and support personnel. The Firm does record and pay for any expenses directly related to its operating activities as a registered broker-dealer. In some cases, the operating expenses that are directly related to the Firm get funded by the Parent, yet these costs are recorded on the books and records of the Firm along with a related payable to Parent, as applicable. During the year 2024, $836,284 of Firm's expenses were funded by the Parent and paid by the Firm.

The Parent has $6,450,899 in a brokerage account carried by the Firm as of June 30, 2024, reflected under "Payable to customers" on the statement of financial condition. From time to time, employees of the Parent hold cash and securities in brokerage accounts with the Firm.

In addition, certain affiliate payments are reflected on the Firm's financial statement on a pass-through basis. As of June 30, 2024, the Firm had an intercompany receivable from its affiliate of $1,582,548 reflected under Trade receivables in the statement of financial condition.

Subordinated loan - On December 2, 2022, the Firm entered into a subordinated loan agreement, with rollover provision, with the Parent for $10,000,000 at an interest rate of 0.25% per annum on outstanding principal amount with a maturity date of December 31, 2024. The subordination agreement sets forth the rights and obligations of the Parent and the Firm, and it provides that any claims by the Parent are subordinate to claims by other parties, including customers and employees of the Firm. As of June 30, 2024, the Firm has an outstanding principal balance of $10,000,000 under Debt and interest payable of $39,589 under Other current liability section on the statement of financial condition.

Note 7 - Commitments and Contingencies

The Firm is subject to contingencies and commitments in the ordinary course of its business arising from legal proceedings or arbitrations, regulatory inquiries, investigations or enforcements and other matters. From time to time, the Firm may be exposed to various asserted and unasserted infringement claims for substantial or unspecified damages.

Guarantees and indemnification – The Firm provides performance guarantees to clearing houses and exchanges under its membership agreements by depositing collateral with them. The obligation to fulfil the shortfall may not be quantifiable and could exceed the minimum collateral requirement. Under the securities lending program, the Firm provides guarantee on pledged securities by providing cash as collateral. The Firm believes the likelihood of making any indemnification payments is remote and therefore, has not recognized any loss reserves for these guarantees.

Legal contingencies – The Firm is subject to claims and lawsuit in the ordinary course of business. The brokerage industry is heavily regulated and therefore, results in substantial risk of losses. Predicting the outcome of a litigation or lawsuit, inquiry or investigation requires significant judgement due to considerations such as available defenses, similar situations experienced by others, view of legal counsel. The management reviews any ongoing legal proceedings with the lens of the loss contingency guidance under GAAP *ASC 450 Contingencies*. The management estimates and accrues for losses when it is probable that loss has been incurred and can be reasonably estimated to the best of management's abilities. The actual loss may differ materially from the amount reserved. The management continues to monitor for any new development on existing or new matters that would affect the loss contingencies estimated on the financial statement and require further adjustments, as deemed appropriate. Based on the ongoing discussions with legal counsel, the management believes the loss estimate to be reasonable as of June 30, 2024, while we continue to defend all significant pending legal matters. We reasonably believe that the outcome of any of the outstanding legal matters to materially affect the financial condition of the Firm.

The Firm's 2024 litigation docket consisted solely of allegations initiated by one of its regulators, either the SEC or FINRA. Below represents these legal matters that are settled, probable or more than likely to result in a loss as of June 30, 2024:

- *M1's portfolio "pies" matter* - On April 5, 2024, the Firm received notification from the SEC's exam team, regarding a claim by the SEC's exam team that M1's portfolio "pies", e.g., Expert Pies (note: no longer named as such), are advisory investments, and as such, the Firm would be deemed as a firm that provides advisory services. The Firm is not an advisory firm nor acts or purports to provide advisory services, and firmly disagrees with the SEC. The Firm has been in negotiations with the SEC's enforcement team and continues to work closely with SEC to resolve the matter. As of June 30, 2024, the management firmly believes that there is no probable cause to estimate loss or penalty.

There are no other commitments or guarantees against the assets of the Firm and no other contingencies regarding litigation. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Firm's financial position.

Note 8 – Off-Balance Sheet Credit Risk

Customer trades - Under the introducing broker service, securities transactions for brokerage customers are introduced by the Firm and cleared on a fully disclosed basis through Apex. The agreement between the Firm and Apex provides that the Firm is obligated to assume any exposure related to nonperformance by its customers. Under the clearing broker service, the Firm has an obligation with clearing houses and exchange to settle the customer trades even when the customer fails to meet their obligation. These activities may expose the Firm to risk in the event the customer is unable to fulfill their contractual obligations. In the event a customer fails to satisfy their obligations, the Firm may be required to transact on the financial instruments at prevailing market prices in order to fulfill the customer's obligations. The Firm mitigates this risk by requiring customers to hold deposits or securities prior to initiating a trade.

Margin Loans–- Under introducing and clearing broker service, by permitting customers to receive loans on margin, the Firm is subject to risks inherent in extending credit, especially during periods of rapidly declining markets in which the value of the collateral held by the Firm and Firm's clearing broker could fall below the amount of the customer's indebtedness. In the event a customer fails to satisfy its obligations, the Firm may be required to sell the customer's securities collateralized for indebtedness at prevailing market prices in order to fulfill the customer's obligations. The Firm mitigates the risks associated with customer margin activities by requiring customers to maintain margin collateral in compliance with various regulatory and Firm's guidelines. The Firm monitors required margin levels daily and requires customers to deposit additional collateral or reduce margin loans, when necessary. The Firm does not expect losses to be material to the Firm's financial condition. However, in the case of unforeseen events, the Firm's actual result could materially differ from those anticipated.

The following table summarizes the fair value of client securities that were available, under such regulations, that could have been used as collateral, as well as the fair value of securities that we had pledged under such regulations and from securities borrowed transactions as of June 30, 2024.

(in 000's)	**June 30, 2024**
Fair value of client securities available to be pledged	$ 229,792

Securities lending – Under the clearing broker service, the Firm engages in the securities lending whereby the Firm loans customer securities to other broker-dealers and counterparties and receives cash as collateral above the fair value of the security loaned. The fair value of the loaned security may exceed the cash received as collateral when the market price of the security increases. The Firm will exchange additional collateral with stock lending counterparties to settle day-to-day market movements. In the event that a counterparty fails to return the loaned security or provide additional cash as collateral for change in fair value, the Firm is exposed to the risk of acquiring the loaned securities at the prevailing market price in order to satisfy the Firm's obligation to its customers. The Firm mitigates this risk by analyzing credit worthiness of its counterparties and setting appropriate credit limits, monitoring the levels of securities loaned and cash collateralized in accordance with the changes in market behavior. Our securities lending transactions are subject to master netting arrangements with the counterparties; however, we do not net the securities lending transactions and present them gross in the statement of financial condition.

The following table presents as of June 30, 2024, the gross and net securities purchased under securities borrowed, and the gross and net securities sold under securities loaned.

(in 000's)	Gross Assets/ Liabilities	Gross Amounts Offset in the Statement of Financial Condition	Net Amounts Presented in the Statement of Financial Condition	Gross Amounts Not Offset in the Statement of Financial Condition		Net Amount
				Counterparty offsetting	Collateral	
Liabilities:						
Securities Loaned	$ 179,548	$ -	$ 179,548	$ -	$ (172,314)	$ 7,234

Note 9 – Financing Activities

In order to meet the liquidity needs of the Firm under the clearing broker business, the Firm has established financing agreements to strengthen its liquidity and satisfy its obligations in the ordinary course of business.

BMO uncommitted line of credit - On November 17, 2022, the Firm entered into a loan agreement with a bank to extend a revolving uncommitted line of credit up to $100,000,000 for a fee of 0.1% on the unused portion of the line and an interest rate of 1.00% plus overnight rate on the drawn outstanding principal amount. The uncommitted line of credit is a continuing agreement terminated upon a written notice by either parties. As of June 30, 2024, the outstanding loan balance is zero with an outstanding unused fee payable of $25,767 on the statement of financial condition.

BMO committed line of credit - On November 17, 2022, the Firm entered into a loan agreement with a bank to extend a revolving committed line of credit up to $30,000,000 for a fee of 0.5% on the unused portion of the line, an interest rate of 1.00% plus overnight rate on the drawn outstanding principal amount with a maturity date of November 14, 2024 and secured with eligible securities listed within the contract. As of June 30, 2024, the Firm has not utilized the line of credit and the outstanding loan balance is zero with an outstanding unused fee payable of $38,750 on the statement of financial condition.

Subordinated loan - On December 02, 2022, the Firm entered into a subordinate loan agreement with its Parent for $10,000,000 at an interest rate of 0.25% per annum and a maturity date of December 31, 2024. Please refer to the related parties note for additional information.

Note 10 - Clearing Agreement

The Firm operates as an introducing broker for accounts held at Apex and clears all customer transactions within those accounts through Apex. The accounts are primarily limited to retirement accounts as of June 30, 2024.

Note 11 – Subsequent Events

The Firm made capital distributions of $ 12,726,199 to the Parent through the date of the financial statement issuance.

The Firm’s management has evaluated subsequent events, through the date the financial statement were available to be issued and has concluded that, there are no significant subsequent events that would require adjustment to or disclosure in the financial statement.