CONSOLIDATED AUDIT TRAIL, LLC

FINANCIAL STATEMENTS

FOR THE PERIOD FROM AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

CONSOLIDATED AUDIT TRAIL, LLC

INDEX TO THE FINANCIAL STATEMENTS

FOR THE PERIOD FROM AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

GRANT THORNTON LLP
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairman, Operating Committee
Consolidated Audit Trail, LLC

We have audited the accompanying financial statements of Consolidated Audit Trail, LLC (a Delaware Limited Liability Company), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the period from August 29, 2019 (inception) through December 31, 2019, and the related notes to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

GrantThornton

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Audit Trail, LLC as of December 31, 2019, and the changes in its net assets and its cash flows for the period from August 29, 2019 (inception) through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
October 20, 2020

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2019

A S S E T S

Assets:		
Cash	$	**1,271,661**
Due from affiliate		**391,880**
Prepaid expenses		**560,266**
Developed technology, net of accumulated amortization of $402,532		**14,214,500**
Total Assets	**$**	**16,438,307**

LIABILITIES AND NET DEFICIT WITHOUT RESTRICTIONS

Liabilities:		
Accounts payable and accrued expenses	**$**	**10,428,627**
Notes payable to SROs (members)		**23,277,938**
Total Liabilities		**33,706,565**
Net Deficit Without Restrictions:		**(17,268,258)**
Total Liabilities and Net Deficit Without Restrictions	**$**	**16,438,307**

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENT OF ACTIVITIES

PERIOD FROM AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

Revenues	$	-
Operating Expenses		
Technology costs		**14,366,284**
Legal		**1,774,196**
Amortization of developed technology		**402,532**
Consulting		**392,350**
Insurance		**320,152**
Professional and administration		**75,549**
Public relations		**25,400**
Total Operating Expenses		**17,356,463**
Change in Net Deficit from Operating Activities	**$**	**(17,356,463)**
Capital Activities:		
Contribution from SRO (member)		**88,205**
Change in net deficit from capital activities		**88,205**
Change in net deficit without restrictions		**(17,268,258)**
Net deficit without restrictions, beginning of period		**-**
Net deficit without restrictions, end of period	**$**	**(17,268,258)**

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENT OF CASH FLOWS

PERIOD FROM AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

Cash Flows from Operating Activities:	
Change in net deficit from operating activities	**$ (17,356,463)**
Adjustments to reconcile change in net deficit to net cash used in operating activities:	
Amortization	**402,532**
Technology costs assumed from affiliate	**4,081,392**
(Increase) in:	
Due from affiliate	**(391,880)**
Prepaid expenses	**(560,266)**
Increase in:	
Accounts payable and accrued expenses	**10,428,627**
Total Adjustments	**13,960,405**
Net Cash Used In Operating Activities	**(3,396,058)**
Cash Flows from Investing Activities:	
Investment in developed technology	**(10,283,699)**
Net Cash Used in Investing Activities	**(10,283,699)**
Cash Flows from Financing Activities:	
Proceeds from notes payable to SROs (members)	**14,863,213**
Contributions from SRO (member)	**88,205**
Net Cash Provided by Financing Activities	**14,951,418**
Net Increase in Cash	**1,271,661**
Cash:	
Beginning of period	**-**
End of period	**$ 1,271,661**
Supplemental Schedule of Noncash Operating Activity:	
Technology costs assumed from affiliate	**$ 4,081,392**
Supplemental Schedule of Noncash Investing Activity:	
Investment in developed technology transferred from affiliate	**$ 4,333,333**
Supplemental Schedule of Noncash Financing Activity:	
Notes payable transferred from affiliate	**$ 8,414,725**

See Notes to the Financial Statements.

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION

Securities and Exchange Commission Rule 613

Effective October 1, 2012, the Securities and Exchange Commission ("SEC") adopted Rule 613 under the Securities Exchange Act of 1934 ("Rule 613") to create a consolidated audit trail (the "CAT System") that would allow regulators to efficiently and accurately track all activity throughout the U.S. markets in National Market System ("NMS") securities. Among other things, the rule required the national securities exchanges and the Financial Industry Regulatory Authority ("FINRA"), collectively the self-regulatory organizations, ("SROs" or "members") to jointly submit a plan, called an NMS plan, to create, implement and maintain a consolidated audit trail of the NMS activity. Rule 613 specifies the type of data to be collected and when the data is to be reported to a central repository.

On September 30, 2014, the SROs submitted to the SEC the proposed NMS plan in accordance with Rule 613 which was eventually amended and replaced in its entirety on February 27, 2015 with the amended and restated CAT NMS Plan ("CAT NMS Plan"). On November 15, 2016, the SEC voted to approve the amended and restated CAT NMS Plan. Subsequent to SEC's approval of the CAT NMS Plan, CAT NMS, LLC ("CAT NMS") was formed by the SROs in response to SEC Rule 613 to create, implement and maintain the CAT System.

Formation and Description of Consolidated Audit Trail, LLC

On August 29, 2019, the SROs formed a new Delaware limited liability company, Consolidated Audit Trail, LLC (the "Organization" or "CAT LLC"), an exempt organization under IRC Section 501(c)(6), for the purpose of conducting activities relating to the CAT System. Pursuant to an amendment to the CAT NMS Plan filed with the SEC on August 29, 2019, the limited liability company agreement of CAT LLC now serves as the CAT NMS Plan.. The Organization shall continue in perpetuity, unless dissolved as outlined in the Organization's operating agreement. The Organization's sole members are the SROs. The SROs as members have the same rights, powers, preferences and privileges, and are subject to the same restrictions, qualifications and limitations. Each SRO is entitled to one vote, and has an equal interest in the Organization.

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION (CONTINUED)

Formation and Description of Consolidated Audit Trail, LLC (continued)

To develop the CAT System and pay for operating and support expenditures of the Organization, the Organization is funded by each of the SROs through notes payable (Note 4). Once the SEC approves a fee structure filed by the SROs, industry members, defined in the CAT NMS Plan as members of a national securities exchange or association ("Industry Members"), will be required to pay such fees to the Organization. The fees established will be filed with the SEC under Section 19(b) of the Securities Exchange Act of 1934.

The Organization has formed an operating committee (the "Operating Committee") to manage the Organization. The Operating Committee shall have the general charge and supervision of the business, and shall be the sole manager of the Organization. The Operating Committee is comprised of one voting member and one alternate member from each of the SROs, with one elected Chair, who will serve a two year term. No later than three months prior to the expiration of the then current term, the Operating Committee will elect a successor. No person shall serve as Chair for more than two successive full terms. Actions of the Operating Committee are outlined in the Organization's operating agreement.

In July 2019, a new SRO was admitted to the Organization for a participation fee of $88,205, which balance has been recorded as a contribution in the accompanying statement of activities.

Plan Processor Agreement

Effective March 29, 2019 (the "Effective Date"), FINRA CAT, an affiliate of FINRA, and CAT NMS entered into a Consolidated Audit Trail Plan Processor Agreement ("FINRA PPA"), to create, implement and maintain a consolidated audit trail with respect to the trading of national market system securities and which has been extended to OTC equity securities as approved by the SEC. Such FINRA PPA was assigned to the Organization on August 30, 2019 pursuant to an Assignment and Assumption Agreement (Note 4). Beginning with the initiation of the billing of Industry Members, the FINRA PPA provides for the Organization to retain and not transfer or otherwise distribute any profits, revenue or other funds it has or receives, until it has built up a reserve, prior to the first anniversary of the Effective Date of at least $2,000,000 and, after the first anniversary of the Effective Date, a reserve of at least $6,000,000 and, thereafter, shall maintain such reserve during the term to be used as a non-exclusive source to fund its payment obligations under the FINRA PPA.

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION (CONTINUED)

Plan Processor Agreement (continued)

The initial term of the FINRA PPA is for seven years and shall be automatically renewed for successive three-year periods, unless terminated, and provides for fixed price recurring operating fees, milestone fees, and variable fees as defined, until 2029 (Note 5).

Risks and Uncertainties

The Organization's principal purpose is to create, implement and maintain a consolidated audit trail pursuant to Rule 613. The Organization is developing technology to meet this principal purpose. The Organization is subject to risks and uncertainties that such technology may not meet its required functionality and intended purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, prepared in accordance with generally accepted accounting principles in the United States of America and are presented pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958, *Not-for-Profit Entities.*

Program Services and Supporting Activities

Program services consist of the application development stage costs of the developed technology; a portion of which costs have been capitalized and a portion have been recorded as operating expenses. Expenses relating to supporting activities are presented by their natural expense classification in the accompanying statement of activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Adopted

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract,* which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in Accounting Standards Codification 350-40 to determine which implementation costs to defer and recognize as an asset. ASU 2018-15 generally aligns the guidance on recognizing implementation costs incurred in a cloud computing arrangement that is a service contract with that for implementation costs incurred to develop or obtain internal-use software, including hosting arrangements that include an internal-use software license. The Organization early adopted ASU 2018-15 on August 29, 2019.

Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* which affects virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In May 2020, the FASB amended the effective date of the adoption of Topic 606 by one year, effective for the Organization's 2020 fiscal year. The Organization is evaluating the impact of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amendments in this ASU establish a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In May 2020, the FASB amended the effective date of the adoption of ASU 2016-12 by one year, effective for the Organization's 2022 fiscal year. The Organization is evaluating the impact of ASU 2016-02 on the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Developed Technology

The developed technology asset, which represents capitalizable application development stage costs incurred in the development of the CAT System, is stated at cost. At the inception of the FINRA PPA, the developed technology was in the application development stage, and accordingly such costs were capitalized. Application development stage costs should be amortized over the term of the associated developed technology on a straight-line basis commencing at the point when the software is ready for its intended use, after all substantial testing is completed and ending at the expiration of the initial contract term. The Organization evaluates the remaining useful life of the developed technology asset that is being amortized each reporting period to determine whether events or circumstances warrant a revision to the remaining period of amortization. If the estimate of the remaining life is changed, the remaining carrying amount of the developed technology assets will be amortized prospectively over the revised remaining useful life. Preliminary project stage costs and developed technology operating costs are expensed in the period incurred. Developed technology is being amortized on a straight-line basis over the initial seven year term of the FINRA PPA.

Impairment of Long-Lived Assets

The Organization reviews the carrying value of its long-lived assets, namely the developed technology asset, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. When it is no longer probable that software being developed will be completed and placed in service, the asset shall be reported at the lower of the carrying amount or fair value, if any. Indications that the software may no longer be expected to be completed and placed in service include circumstances when the software is not expected to provide substantive service potential or significant changes are made to the software. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value. There was no impairment loss during the period from August 29, 2019 (inception) through December 31, 2019. (Note 3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC section 501(c)(6), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, the Organization has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Available Resources and Liquidity

The Organization's financial asset consist of cash of $1,271,661 which is available to meet the Organization's operational needs.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Through an ongoing budgeting process, the Operating Committee reviews projected expenditures and funds the Organization's future operating needs through the issuance of promissory notes to the SROs. The Organization generally strives to maintain liquid financial assets sufficient to cover 90 days of expenditures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Available Resources and Liquidity (continued)

The Organization has incurred significant losses, with a large cumulative net deficit as of December 31, 2019. To mitigate potential future cash shortfalls and meet obligations arising over the next twelve months and one year beyond the issuance of the financial statements, the SROs have committed to continue to fund the Organization through the issuance of promissory notes payable.

NOTE 3 - DEVELOPED TECHNOLOGY

Developed technology, created, implemented and maintained by FINRA CAT, an affiliate of FINRA, pursuant to the FINRA PPA, consists of the following:

Developed technology	$ 14,617,033
Less: Accumulated amortization	(402,532)
	$ 14,214,500

Amortization expense was $402,532 during the period from August 29, 2019 (inception) through December 31, 2019.

The estimated amortization expense for the next five years is as follows:

Years Ending December 31,	
2020	$ 2,005,262
2021	2,328,303
2022	2,328,303
2023	2,328,303
2024	2,334,682

Prior to formation of the Organization, CAT NMS incurred certain costs related to the CAT System under the FINRA PPA. , Such costs were transferred to the Organization pursuant to the Assignment and Assumption Agreement dated August 30, 2019 (Note 4).

In addition to the above capitalized developed technology costs, during the period from August 29, 2019 (inception) through December 31, 2019, the Organization incurred developed technology operating costs of $14,366,284, inclusive of costs transferred from CAT NMS (Note 4).

NOTE 4 - RELATED PARTY TRANSACTIONS

Notes Payable to SROs (Members)

The Organization is funded by each of the SROs through notes payable. The Organization has issued various secured, non-interest bearing notes payable. The notes are payable on demand, if requested in writing by the holders of the notes representing at least two-thirds of the outstanding principal amount of indebtedness represented by all notes. Any repayment shall be concurrent with a corresponding pro rata repayment of all other notes. The notes payable are secured by the assets of the Organization. The SROs do not intend on calling the outstanding notes payable due from the Organization through at least one year and a day beyond October 20, 2020.

The notes payable consist of the following as of December 31, 2019:

Notes payable to SROs (members):	
November 2019 issuance date	$ 14,863,213
Notes payable transferred from affiliate	8,414,725
	$ 23,277,938

Assignment and Assumption Agreement

CAT NMS incurred various costs related to the CAT System under the FINRA PPA from the Effective Date of March 29, 2019 through July 2019. In August 2019, subsequent to the formation of the Organization, pursuant to an Assignment and Assumption Agreement effective August 30, 2019, the total costs incurred by CAT NMS under the FINRA PPA, including the capitalized developed technology asset, technology costs, as well as the notes payable used to fund such costs were transferred to the Organization. Accordingly, the aforementioned costs and the related notes payable, are reflected in the accompanying financial statements.

These costs and the related notes payable to SROs (members) are summarized as follows:

Developed technology, net of accumulated amortization of $119,298	$	4,214,035
Technology costs, inclusive of amortization expense		4,200,690
	$	8,414,725
Notes payable to SROs (members)	$	8,414,725

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

Guarantee of Affiliate Notes Payable

The Organization has guaranteed the payment obligations under the notes payable made by CAT NMS to the SROs for costs related to the CAT System for the period prior to the creation of the Organization, in the aggregate amount of $109,233,082 as of December 31, 2019. The Organization has not been called to pay any of the guaranteed amounts as of October 20, 2020.

Due from Affiliate

The net amount due from CAT NMS was $391,880 at December 31, 2019, and is reflected in the due from affiliate in the statement of financial position.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Cash Credit Concentration Risk

The Organization maintains cash accounts with a bank located in New York. The excess of deposit balances over amounts that would have been covered by federal insurance was approximately $1,022,000 at December 31, 2019.

FINRA CAT Commitments

The FINRA PPA became effective on March 29, 2019, with an initial term of seven years. The FINRA PPA provides for build and operating milestone fees, as defined, of $16,500,000, $20,700,000, and $1,500,000 for the years ending December 31, 2019, 2020, and 2021, respectively, and provides for recurring operating fees, as defined, through the end of the initial seven year term as follows:

Years Ending December 31:	
2020	$ 8,800,000
2021	23,700,000
2022	24,200,000
2023	24,700,000
2024	25,200,000
Thereafter	52,150,000
	$ 158,750,000

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

FINRA CAT Commitments (continued)

Recurring operating fees are subject to change requests, as outlined in the FINRA PPA.

In addition, the FINRA PPA provides for other variable fees, primarily consisting of cloud hosting services and customer/account database fees, commencing in 2019. Variable fees of $7,477,356 were incurred during the period from August 29, 2019 (inception) through December 31, 2019 and are included in technology costs in the accompanying statement of activities.

NOTE 6 - SUBSEQUENT EVENTS

Admission of New SRO

In May 2020, a new SRO was admitted to the Organization for a participation fee of $424,494.

Funding

In July 2020, the Organization has been funded by issuing additional notes payable to the SROs in the aggregate amount of $16,580,914.

In October 2020, the Organization has been funded by issuing additional notes payable to the SROs in the aggregate amount of $27,300,000.

Subsequent events have been evaluated through October 20, 2020, which is the date the financial statements were available to be issued. The COVID-19 outbreak in the United States has caused business disruptions. While the disruptions are currently expected to be temporary, there is considerable uncertainty around the duration of the outbreak. While it is not expected that the Organization will be negatively impacted, the financial impact cannot be reasonably estimated at this time.