CONSOLIDATED AUDIT TRAIL, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

CONSOLIDATED AUDIT TRAIL, LLC

INDEX TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

GRANT THORNTON LLP
757 Third Ave, 9th Floor
New York, NY 110017-2013

D +1 212 599 0100
F +1 212 370 4520

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairman, Operating Committee
Consolidated Audit Trail, LLC

Opinion

We have audited the financial statements of Consolidated Audit Trail, LLC (a Delaware Limited Liability Company) (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or

Grant Thornton

error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Grant Thornton LLP

New York, New York
June 3, 2022

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF FINANCIAL POSITION

A S S ET S

	December 31, 2021	December 31, 2020
Assets:		
Cash	**$ 8,104,410**	$ 6,385,235
Developed technology, net of accumulated amortization of $9,478,213 and $4,370,170, respectively	**34,375,289**	28,949,180
Prepaid expenses	**923,250**	569,390
Total Assets	**$ 43,402,949**	$ 35,903,805

LIABILITIES AND NET DEFICIT WITHOUT RESTRICTIONS

	2021	2020
Liabilities:		
Accounts payable and accrued expenses	**$ 26,850,571**	$ 25,781,366
Notes payable to SROs (members)	**264,332,477**	111,496,107
Total Liabilities	**291,183,048**	137,277,473
Commitments and Contingencies (Note 5)		
Net Deficit Without Restrictions	**(247,780,099)**	(101,373,668)
Total Liabilities and Net Deficit Without Restrictions	**$ 43,402,949**	$ 35,903,805

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF ACTIVITIES

	For the Years Ended December 31,	
	2021	2020
Revenues	**$ -**	$ -
Operating Expenses:		
Technology costs	**131,769,894**	71,106,488
Legal	**6,333,248**	6,531,202
Amortization of developed technology	**5,108,043**	3,967,638
Consulting	**1,408,209**	1,264,646
Insurance	**1,228,854**	966,974
Professional and administration	**595,923**	607,868
Public relations	**92,400**	93,803
Total Operating Expenses	**146,536,571**	84,538,619
Interest Income	**-**	8,715
Other Income	**130,140**	-
Total Other Income	**130,140**	8,715
Change in Net Deficit from Operating Activities	**(146,406,431)**	(84,529,904)
Capital Activities:		
Contribution from SRO (member)	**-**	424,494
Change in net deficit from capital activities	**-**	424,494
Change in Net Deficit Without Restrictions	**(146,406,431)**	(84,105,410)
Net Deficit Without Restrictions:		
Beginning of year	**(101,373,668)**	(17,268,258)
End of year	**$ (247,780,099)**	$ (101,373,668)

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2021	2020
Cash Flows from Operating Activities:		
Change in net deficit from operating activities	**$ (146,406,431)**	$ (84,529,904)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Amortization of developed technology	**5,108,043**	3,967,638
(Increase)/decrease in:		
Due from affiliate	**-**	391,880
Prepaid expenses	**(353,860)**	(9,124)
Increase in:		
Accounts payable and accrued expenses	**102,053**	13,407,267
Total Adjustments	**4,856,236**	17,757,661
Net Cash Used in Operating Activities	**(141,550,195)**	(66,772,243)
Cash Flows from Investing Activities:		
Investment in developed technology	**(9,567,000)**	(16,756,846)
Net Cash Used in Investing Activities	**(9,567,000)**	(16,756,846)
Cash Flows from Financing Activities:		
Proceeds from notes payable to SROs (members)	**152,836,370**	88,218,169
Contributions from SRO (member)	**-**	424,494
Net Cash Provided by Financing Activities	**152,836,370**	88,642,663
Net Increase in Cash	**1,719,175**	5,113,574
Cash:		
Beginning of year	**6,385,235**	1,271,661
End of year	**$ 8,104,410**	$ 6,385,235
Supplemental Schedule of Non-Cash Investing Activity:		
Investment in developed technology included in accounts payable	**$ 967,152**	$ 1,945,472

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 the 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 Internal Revenue Code ("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 to the SROs (Note 4). Once the SEC approves a formalized 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. In March 2021, the SROs filed a formalized fee structure with the SEC, which filing was subsequently withdrawn. The SROs are in the process of proposing to amend the CAT NMS Plan to implement a revised funding model for CAT LLC and to establish a fee schedule for SRO fees.

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 May 2020, a new SRO was admitted to the Organization for participation fees of $424,494, which balance has been recorded as contribution from SRO (member) in the accompanying statements of activities. No new SROs were admitted to the Organization in 2021.

Effective December 17, 2020, CAT NMS was dissolved and ceased operations. In April 2021, CAT NMS’s remaining cash balance of $130,140 was transferred to the Organization and has been recorded as other income in the accompanying statements 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 1 - ORGANIZATION BACKGROUND AND DESCRIPTION (CONTINUED)

Plan Processor Agreement (Continued)

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.

The initial term of the FINRA PPA is for seven years, through March 29, 2026, 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 has developed and continues to develop technology to meet this principal purpose. The Organization is subject to risks and uncertainties that such technology may not ultimately meet its required functionality and intended purpose.

Additionally, certain current events, including the rise in inflation, may serve to increase the operating costs of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Net assets of the Organization are classified based upon the existence or absence of imposed restrictions. The net assets of the Organization are not subject to any restrictions and therefore are available for the general operations of the Organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions involved in preparing the financial statements include assumptions related to developed technology, specifically the estimated useful lives and commencement dates assigned to the components of the asset and the assessment of potential impairment. Actual results could differ from those estimates.

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 statements of activities.

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 (Note 3). Capitalized developed technology is being amortized on a straight-line basis over the initial seven-year term of the FINRA PPA.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 were no impairment losses during the years ended December 31, 2021 and 2020, respectively.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Not Yet Adopted

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.

Available Resources and Liquidity

The Organization has incurred significant deficits during the years ended December 31, 2021 and 2020, with a large cumulative net deficit as of December 31, 2021. Its financial asset consists of cash of $8,104,410 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 quarterly budgeting process, the Operating Committee reviews projected expenditures and funds the Organization's operating needs through the issuance of promissory notes to the SROs. To mitigate potential future cash shortfalls and meet obligations arising over the next twelve months, the SROs have agreed to continue to fund the Organization through the issuance of notes payable and have agreed to not call the outstanding notes payable due from the Organization through at least one year and one day beyond June 3, 2022, the date the financial statements are available to be issued.

NOTE 3 - DEVELOPED TECHNOLOGY AND TECHNOLOGY COSTS

Developed Technology

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

	For the Years Ended December 31,	
	2021	2020
Developed technology	**$ 43,853,502**	$ 33,319,350
Less: Accumulated amortization	**(9,478,213)**	(4,370,170)
	$ 34,375,289	$ 28,949,180

NOTE 3 - DEVELOPED TECHNOLOGY AND TECHNOLOGY COSTS CONTINUED)

Developed Technology (Continued)

Amortization expense of developed technology was $5,108,043 and $3,967,638 for the years ended December 31, 2021 and 2020, respectively.

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

Years Ending December 31,	
2022	$ 6,304,370
2023	8,653,619
2024	8,677,328
2025	8,653,619
2026	2,086,353

Technology Costs

In addition to the above developed technology costs for the year ended December 31, 2021 and 2020, the Organization incurred the following technology costs:

	For the Years Ending December 31,	
	2021	2020
Cloud hosting services	**$ 99,657,826**	$ 43,650,775
Milestone fees	**-**	14,400,000
Operating fees	**25,549,687**	10,162,628
Data service fees	**6,010,876**	2,770,003
Change request fees	**551,505**	123,082
	$ 131,769,894	$ 71,106,488

NOTE 4 - RELATED PARTY TRANSACTIONS

Notes Payable to SROs (Members)

The Organization is funded by each of the SROs through secured, non-interest bearing notes payable. The notes payable are secured by the assets of the Organization. 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.

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

Notes Payable to SROs (Members) (Continued)

The notes payable liability is comprised of the following as of December 31, 2021 and 2020:

Notes payable to SROs (members):	
Balance as of December 31, 2019	**$ 23,277,938**
January 2020 issuance date	22,711,255
April 2020 issuance date	21,626,000
July 2020 issuance date	16,580,914
October 2020 issuance date	27,300,000
Balance as of December 31, 2020	**111,496,107**
January 2021 issuance date	31,912,554
April 2021 issuance date	41,370,645
July 2021 issuance date	36,648,793
October 2021 issuance date	42,904,378
Balance as of December 31, 2021	**$ 264,332,477**

Due to Related Party

The net amount due to FINRA CAT was $25,355,850 and $25,130,360 as of December 31, 2021 and 2020, respectively.

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 $112,733,082 as of December 31, 2021 and 2020. The Organization has not been called to pay any of the guaranteed amounts as of June 3, 2022.

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 $7,854,000 and $6,135,000 at December 31, 2021 and 2020, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

FINRA CAT Commitments

The FINRA PPA became effective on March 29, 2019, with an initial term of seven years. The FINRA PPA provided 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. Such recurring operating fees are also subject to change requests as outlined in the FINRA PPA.

The minimum recurring operating fees and change request fees, through the end of the initial seven-year term are as follows:

Years Ending December 31,	Recurring Operating Fees	Change Request Fees	Total
2022	$ 24,200,000	$ 2,022,000	$ 26,222,000
2023	24,700,000	1,895,000	26,595,000
2024	25,200,000	1,942,000	27,142,000
2025	25,800,000	1,611,000	27,411,000
2026	6,587,500	402,750	6,990,250
	$ 106,487,500	$ 7,872,750	$ 114,360,250

In addition, the FINRA PPA provides for other variable fees, primarily consisting of cloud hosting services and customer/account database fees.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 3, 2022, which is the date the financial statements were issued.

Funding

In January 2022, the Organization was funded by issuing additional notes payable to the SROs in the aggregate amount of \$37,079,323.

In April 2022, the Organization was funded by issuing additional notes payable to the SROs in the aggregate amount of \$52,401,677, of which \$47,626,854 has been received and \$4,774,823 remains outstanding at June 3, 2022.