Alpine Securities Corporation

UNAUDITED STATEMENT OF FINANCIAL CONDITION

March 31, 2022

Table of Contents

ALPINE SECURITIES CORPORATION
STATEMENT OF FINANCIAL CONDITION - UNAUDITED
March 31, 2022

Assets			
Cash		$	2,226,021
Cash segregated under federal and other regulations			4,250,000
Accounts receivable, related party			9,196,334
Deposits with clearing organizations			3,017,500
Receivables from customers	6,449,218		
Less allowance for uncollectable amounts	(6,449,218)		-
Receivable from broker/dealers			28,319
Operating lease right-of-use asset			8,060,546
DTCC common stock			262,360
Property and equipment, at cost	481,888		
Less accumulated depreciation of	(449,083)		32,805
Indemnification Asset			2,000,000
Other assets			40,980
Total Assets		$	29,114,865
Liabilities and Stockholder's Equity			
Liabilities			
Payable to customers		$	3,951,256
Accounts payable and accrued expenses			1,022,877
Accounts payable broker/dealers			341,802
Lease liability			8,646,023
SEC settlement payable			2,000,000
Salaries and commissions payable			53,478
Correspondent deposits			25,000
Total Liabilities		$	16,040,436
Stockholder's Equity			
Common stock, $0.50 par value; 200,000 shares authorized, 175,602 shares issued and outstanding; 2,247 shares of treasury stock		$	88,925
Additional paid-in-capital			5,460,783
Indemnification asset offset			2,000,000
Retained Earnings			5,524,721
Total Stockholder's Equity		$	13,074,429
Total Liabilities and Stockholder's Equity		$	29,114,865

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business. Alpine Securities Corporation (the Company) was incorporated under the laws of the State of Utah on January 11, 1984, as a securities broker and dealer, dealing principally in over-the-counter securities. The Company, located in Salt Lake City, Utah, is registered with the Securities and Exchange Commission (SEC), and is a member of the Financial Industry Regulatory Authority (FINRA). Security trades are made with both customers and other security brokers and dealers. Customers are located in states in which the Company is registered. Wholesale trading is conducted with other brokers and dealers throughout the United States. Revenue is derived principally from trading in securities on its own account and trading in securities for customers for which a commission is received. The Company also clears securities transactions for correspondents and charges transaction fees.

Significant Accounting Policies

Cash and Cash Equivalents. All highly liquid investments purchased with an original maturity of three months or less at the date of acquisition are classified as cash and cash equivalents. Cash equivalents consist primarily of highly liquid investments in time deposits held in banks.

Participants Segregated Cash. Alpine Securities receives cash from Participants for the exclusive benefit of the Participants customers in compliance with SEC rule 15c3-3 (customer protection).

Accounts Receivable. Accounts receivables are stated at cost, net of allowance. The Company establishes an allowance for doubtful accounts for accounts receivable to ensure the Company has not overstated receivable balances due to uncollectability. The Company determines the need for an allowance based on a variety of factors, historical experience, and on the potential illiquidity of the collateral.

Clearing Fund. Margin deposits and participant contributions are maintained within the clearing fund on the Statement of Financial Condition due to the benefits and risk ownership being accrued to the Company. Deposits and contributions may be in the form of cash, cash equivalents, and securities. These deposits may be applied to satisfy obligations of the depositing participant, other participants, or the Company as provided in the Company rules.

Property and Equipment. Property and equipment are stated at cost, net of accumulated depreciation. Routine maintenance, repairs and replacement costs are expensed as incurred. Improvements that appreciably extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in income. Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable.

Leasehold improvements are amortized using the straight-line method over their useful lives or the remaining term of the related lease, whichever is shorter. Furniture and equipment are depreciated over estimated useful lives ranging from five to seven years, using straight line methods. Building improvements are primarily amortized over 39 years using the straight-line method. Depreciation expense for leasehold improvements, furniture and equipment, and building improvements is included in depreciation and amortization in the accompanying Statements of Income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition. Customer securities transactions are recorded on settlement date. Revenues and related commissions for transactions executed but unsettled are recorded on trade date, which is the day each transaction is executed.

Trading Revenue and Commissions: Commission revenue represents commissions, settlement fees, and execution fees that are generated by our introducing broker-dealer for their clients trading activity in microcap OTC transactions. The Company is the principal for commission revenue, and it is responsible for the execution of trades. Accordingly, total commission revenues are reported on a gross basis. Securities commissions are sale-based commissions recognized on the trade date.

Client Account Fees: Client account fees represent fees earned for custodial, recordkeeping, and administrative functions performed for the securities clearing accounts of clients. These include statement delivery fees, account transfer fees, errors and omission insurance fees, platform fees, and other fees. Client account fees that are transactional based, such as account transfer fees, are recognized at a point in time when the related performance obligation is satisfied. Client account fees that are related to ongoing services, such as statement delivery fees and errors and omission insurance fees, are recognized over time. Client account fees that relate to ongoing services are typically billed to clients' accounts on a monthly or quarterly basis.

Transaction Fees: Transaction fee revenue represents account review fees, safekeeping fees, check fees, wire fees, ticket fees that are generated by setting up new accounts, and holding stock with DTCC. Accordingly, total transaction fee revenues are reported on a gross basis. Transaction fees that are sale-based are recognized on the trade date, or assessed at the time of account creation, ticket execution, or monthly as the securities are held by the DTCC.

Indemnification Revenue: Indemnification revenue is recognized by the Company when payments are made on the SEC Settlement Payable, which coincides with the recording of the accounts receivable related party, see NOTE 11. For the quarter ended December 31, 2021, the Company had recorded $3,000,000 in indemnification revenue.

Income Taxes. The Company, with the consent of its stockholder, elected to be taxed as an S Corporation. The taxable income of the Company flows through to the stockholder's individual income tax return.

Concentration of Credit Risk. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. As of March 31, 2022, the Company's uninsured cash balances totaled $7,383,030.

The Company is engaged in various trading and brokerage activities in which the counterparties are primarily broker-dealers. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Management makes estimates regarding the collectability of receivables, the outcome of litigation, the realization of deferred taxes, the fair value measurements, and other matters that affect the reported amounts. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could materially differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Indemnification Asset. The Indemnification asset represents the carrying amount of the Company's legal right to receive payments from SC Advisors, a related party, for the losses incurred relating to the SEC judgement in NOTE 11. Due to the nature and timing of the loss, the asset is valued at the amount of the SEC Settlement Payable and adjusted for payments made by the Company. The value of the indemnification asset as of March 31, 2022, is $2,000,000.

Recently Issued Accounting Standards.

In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments. The main objective of ASU 2016-13 is to provide financial statement users with more useful information about the expected credit losses on financial instruments and other commitments to extend credit held by an entity at each reporting date. To achieve this objective, the amendments to this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to develop credit loss estimates. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019. As such, ASU 2016-13 has been adopted as of October 1, 2020. The Company has evaluated all areas of the Company's financials determined to be within the scope of ASC 2016-13 and have determined that there is no impact to the Company's financial statements.

NOTE 2 - CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Cash of $4,000,000 has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Commission (SEC). The reserve is calculated weekly using a formula as defined by the rule. The required reserve as of March 31, 2022, was $3,910,107. No additional deposits or withdrawals were required.

Cash of $250,000 has been segregated in a special reserve bank account for the benefit of brokers and dealers (PAIB) under rule 15c3-3 of the Securities and Exchange Commission (SEC). The PAB reserve is calculated weekly using a formula as defined by the rule. The required PAB reserve as of March 31, 2022 was $66,290. No additional deposit was required.

NOTE 3 - DEPOSITS WITH CLEARING ORGANIZATIONS

The Company had a deposit with its clearing organizations totaling $3,017,500 as of March 31, 2022.

NOTE 4 - FAIR VALUE MEASUREMENT

Fair Value Measurements. The guidance related to "Fair Value Measurements" included in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820 defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

Valuation Hierarchy. FASB ASC Topic 820 established a three-level valuation hierarchy for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The asset's or liability's fair value measurement level with in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets as of the valuation date. The Company does not have any financial assets or liabilities utilizing Level 1 inputs as of March 31, 2022.

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

Level 2 - Inputs to the valuation methodology are other than unadjusted quoted market prices for similar assets and liabilities in active markets, which are either directly or indirectly observable as of the valuation date or can be derived principally from or corroborated by observable market data. The Company does not have any financial assets or liabilities utilizing Level 2 inputs as of March 31, 2022.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company has financial assets or liabilities utilizing Level 3 inputs as of March 31, 2022. The indemnification asset was measured at the same value of the liability that it is associated with, according to the contract that was entered into as of April 2021 of $12,000,000 and is being reduced when payments are made on that liability. The reconciliation of the value from April to March is as follows:

April 2021 Valuation of the indemnification asset	$ 12,000,000.00
Amounts recognized through income through March 31, 2022	(10,000,000.00)
Transfers in and out of level 3	-
Indemnification asset value at March 31, 2022	$ 2,000,000.00

Financial Instruments Not Measured at Fair Value. The carrying amounts of the financial instruments (i.e., monetary assets and liabilities) are determined under different accounting methods. However, active markets do not exist for a significant portion of these instruments. For financial instruments where quoted prices for identical assets and liabilities in active markets do not exist, the Company determines fair value based on discounted cash flow analyses and comparable pricing of similar instruments.

The Company uses recently executed transactions, other observable market data such as exchange data, broker/dealer quotes, third-party pricing vendors and aggregation services for determining the fair values of financial instruments. The Company assesses the external sources and their valuation methodologies to determine if the external providers meet the minimum standards expected of a third-party pricing source. Pricing data provided by approved external sources are evaluated using a number of approaches to ensure the highest-ranked market data source is used to validate fair value of financial instruments.

NOTE 5 - RECEIVABLE FROM AND PAYABLE TO CUSTOMERS

The customer receivable from and payable to account balances arose from transactions which are recorded on a settlement date basis. Securities owned by customers are held as collateral for receivables.

NOTE 6 – DTCC STOCK

The company capitalizes its mandatory purchase of DTCC common shares. Total number of shares held on March 31, 2022, is 20.62.

The company capitalizes its mandatory purchase of DTCC preferred shares. Total number of shares held on March 31, 2022, is 25.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2022:

Furniture and equipment	$	346,448
computer hardware and software		135,440
		481,888
Less accumulated depreciation and amortization		(449,083)
	$	32,805

Depreciation expense for the period was $13,087, calculated on a straight-line basis of estimated useful life of company assets.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company performs clearing and other services for Scottsdale Capital which, became a related party on March 3, 2011, when Alpine was purchased by the owner of Scottsdale Capital. The balance payable to Scottsdale Capital was $341,802 as of March 31, 2022.

In 2013, the Company relocated to a building owned by a related party. The Company entered a multi-year extension of the lease on February 18, 2021, which requires minimum monthly payments of $175,000, with yearly increases of $15,000/month. Supplemental balance sheet information related to leases are as follows:

		March 31, 2022
Operating lease right-of-use Assets	$	8,060,546
Current lease liability	$	1,895,865
Long term lease liabilities		6,750,158
Total lease liability payable	$	8,646,023
Weighted-average remaining lease term		4.5 years
Weighted-average discount rate		5.5%
Maturities of lease liabilities are as follows:		
Year-ending September 30,		
2022	$	1,140,000
2023		2,415,000
2024		2,595,000
2025		2,775,000
2026		705,000
Total lease payments		9,630,000
Less: imputed interest		(983,977)
Total lease	$	8,646,023

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

The Company has a receivable from SC Advisors relating to the payments made on the SEC payable. When payments are made, an increase in the receivable is recorded as the contractual obligation to reimburse ASC for those payments. This receivable is offset by the indemnification expense that is calculated as described in NOTE 11 and is done pursuant an addendum to the Assumption of Liability contract. As of March 31, 2022, the balance of the receivable is $10,140,356. Management's review of the receivable, with related contracts and other documents, has determined that an allowance was not considered necessary.

NOTE 9 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1 & 15c3-3), which, under the alternative standard method, requires the maintenance of minimum net capital to be no less than the greater of $250,000 or two percent (2%) of aggregate debit items, and prohibits a broker-dealer from engaging in securities transactions when its net capital falls below minimum requirements as defined by the rule. As of March 31, 2022, the Company had net capital of $1,513,631, which was $1,213,631 in excess of its required net capital of $250,000.

NOTE 10 - FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company must purchase or sell the financial instrument underlying the contract at a loss.

NOTE 11 - INDEMNIFICATION ASSET

In connection with the legal proceedings in the Company vs SEC, the Company entered into an agreement for Assumption of Liability contract, in which the Company is indemnified against the losses arising from this action. The indemnification clause in the contract gives rise to an indemnification asset that the Company recorded in April 2021. This indemnification asset represents the carrying amount of the right to receive payments from SC Advisors, a related party, for losses incurred relating to the SEC judgement. Due to the nature and timing of the loss from the SEC judgement, the asset is valued at the amount of the SEC settlement payable and adjusted for payments made. The value of the indemnification asset as of March 31, 2022, is $2,000,000.

The agreement for indemnification creates and obligation for the Company of an indemnification expense of 19% of the Company's monthly net income, payable to SCAP 7, who is providing the adequate resources independent of the Company to support the agreement. For months that there is a net loss, no amount is calculated. In an executed addendum to the assumption of liability contract both SC Advisors and SCAP 7 have agreed that this payable will be used as a payment against the receivable.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES

Settlement of Securities Transactions. The Company is obligated to settle transactions with brokers and other financial institutions even if its customers fail to meet their obligations to the Company. Customers are required to complete their transactions on the settlement date, generally two business days after trade date. If customers do not fulfill their contractual obligations, the Company may incur losses. The Company has established procedures to reduce this risk by requiring deposits from customers for certain types of trades.

Leases. The Company maintains a four year and six-month lease commitment for its office facility in Salt Lake City, which the landlord may terminate upon adequate notice. None of its office space is sub-leased to any party.

Legal. The Company is, from time to time, named as a defendant in civil actions or a respondent in regulatory actions. The Company was subject to regulatory actions as discussed below.

NOTE 12 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The first matter involves an action initiated by the Securities and Exchange Commission (SEC) in 2017 in the U.S. Southern District of New York (the "SEC Enforcement Action"). On December 11, 2018, the Court granted the SEC partial summary judgement on the SEC's claim that Alpine had violated the books and records provisions of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder, entitled "Financial recordkeeping and reporting of currency and foreign transactions." On October 9, 2019, the Court imposed a civil penalty in the amount of $12,000,000 in connection with the books and records violations. On June 21, 2021, the Company and the SEC entered into a stipulated installment payment order (the "Order"), which provides that Alpine will fully pay the district court's final judgement of $12,000,000 in equal monthly payments of $1,000,000 (the last payment will include outstanding interest). On May 6, 2022, the Company made the final payment due under the Order and that proceeding is concluded.

The SEC has also commenced a follow-on proceeding of the SEC Enforcement Action in the form of an Order Instituting Proceedings ("OIP") pursuant to Section 15(b) of the Securities Exchange Act of 1934 (SEC Administrative Procedures File. No. 3-20485). Under the OIP, the Commission will consider whether Alpine should be subject to any further sanctions based on the District Court's issuance of an injunction against any future violations of Section 17(a). Discovery and briefing in that matter are underway.

The next regulatory matter concerns a FINRA Enforcement Action filed July 25, 2019, in which FINRA alleged that the Company charged excessive fees to customers. (See FINRA No. 2019061232601.) The Company has denied these allegations. The hearing in that matter concluded in September 2021. On March 22, 2022, FINRA issued an Extended Hearing Panel Decision in which the Panel found that the Company converted and misused customer funds and securities, engaged in unauthorized trading, charged and paid customers unfair prices in securities transactions, charged customers unreasonable and discriminatory fees, and made an unauthorized capital withdrawal. The sanction order includes expulsion and $2,310,234 restitution. The Panel Decision also contains a cease-and-desist order that prohibits the Company from charging certain fees to customers. On April 15, 2022, the Company filed a notice of appeal, which stays the sanctions, except for the cease-and-desist order. In satisfaction of the order, a deposit of $2,310,234 was placed in an escrow account pending the appeal. The Company does not expect any immediate impact on its operations from this order pending the appeal.

On November 2, 2021, FINRA commenced an action relating to the firm's net capital calculation. (See FINRA Expedited Proceeding No. FPI210010 & STAR No. 20210729963.) The hearing in that matter occurred in January 2022. On April 7, 2022, the Hearing Panel issued its Decision ("Decision") in which it concluded that the company failed to file a materially accurate audit report as requested under FINRA Rule 4140. For this violation, FINRA suspended the Company until the Company filed an audit report consistent with the Decision. On [Date] the Company revised its books and records and refiled its FOCUS in accordance with the Order and the suspension was lifted. As was confirmed during the hearing, the particular net capital item did not affect Alpine's compliance with net capital requirements; even excluding the entry at issue; Alpine has always maintained net capital that is many multiples of its net capital requirement.

In July 2021, the Company filed lawsuits seeking to recover funds based on allegations that a former officer and an accomplice misappropriated approximately $1,300,000 million in funds. The majority of the funds have been remanded to the court and are held and awaiting the resolution of this action. These matters, which are taking place in both civil and FINRA Arbitration forums, are ongoing, and the Company expects to prevail.

Alpine v Frankel, Tampa District Court, involves breach of confidentiality and trade secret agreements by the former CEO, Chris Frankel. In May 2021 the jury awarded Alpine $932,000 in unjust enrichment damages. The matter is currently undergoing post hearing civil procedure challenges and other filings.

NOTE 13 - SUBSEQUENT EVENTS

Subsequent events related to the financial statements have been evaluated for recording and/or disclosure. The Company has determined that there are no material events that require adjustment to the recorded amounts or disclosures.