

Alpine Securities Corporation

UNAUDITED STATEMENT OF FINANCIAL CONDITION

For the Six Months Ended March 31, 2023

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ALPINE SECURITIES CORPORATION
STATEMENT OF FINANCIAL CONDITION - UNAUDITED
March 31, 2023

Assets

Cash		\$ 1,112,019
Cash segregated under federal and other regulations		3,200,000
Accounts receivable, related party		-
Deposits with clearing organizations		5,171,601
Receivables from customers	3,760,751	
Less allowance for uncollectable amounts	<u>(3,760,751)</u>	-
Receivable from broker/dealers		8,721
DTCC common stock		264,300
Property and equipment, at cost	472,042	
Less accumulated depreciation of	<u>(462,191)</u>	9,851
Other assets		156,548

Total Assets		<u><u>\$ 9,923,040</u></u>
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Liabilities and Stockholder's Equity

Liabilities

Payable to customers		\$ 3,043,105
Accounts payable and accrued expenses		642,040
Accounts payable broker/dealers		561,999
Salaries and commissions payable		51,622
Correspondent deposits		25,000
Total Liabilities		<u>\$ 4,323,766</u>

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		9,403,934
Retained Earnings		(3,893,585)
Total Stockholder's Equity		<u>\$ 5,599,274</u>

Total Liabilities and Stockholder's Equity		<u><u>\$ 9,923,040</u></u>
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ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

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. The Company 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 collectability. The Company determines the need for an allowance based on a variety of factors, historical experience, and on the potential illiquidity of the collateral. The Company allows for customer receivables at 100% due to the nature of any collateral and historical collections from customers

Clearing Fund. 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, and 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.

Revenue Recognition. The Company recognizes revenue in accordance with ASC 606 using the modified retrospective method. This revenue recognition guidance requires that an entity recognized revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when the entity satisfies a performance obligation.

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS
March 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Accounting Policies (Continued)

Revenue Recognition (Continued). 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.

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, 2023, the Company's uninsured cash balances totaled \$4,100,154.

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.

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2023

NOTE 2 - CASH SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

Cash of \$2,850,000 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, 2023, was \$2,849,703. An additional deposit of \$50,000 was made on April 3, 2023.

Cash of \$350,000 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, 2023, was \$218,556. A withdrawal of \$100,000 was made on April 3, 2023.

NOTE 3 - DEPOSITS WITH CLEARING ORGANIZATIONS

The Company had a deposit with its clearing organizations totaling \$5,171,601 as of March 31, 2023.

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 within 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, 2023.

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, 2023.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Company does not have any financial assets or liabilities utilizing Level 3 inputs as of March 31, 2023.

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.

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2023

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, 2023, is 20.665. Additional shares were purchased February 2023 in the amount of \$1,939.

The company capitalizes its mandatory purchase of DTCC preferred shares. Total number of shares held on March 31, 2023, is 25.

NOTE 7 – PROPERTY AND EQUIPMENT

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

Furniture and equipment	\$ 346,448
computer hardware and software	<u>125,594</u>
	472,042
Less accumulated depreciation and amortization	<u>(462,191)</u>
	<u>\$ 9,851</u>

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 \$561,999 as of March 31, 2023.

In 2013, the Company relocated to a building owned by a related party. The Company entered a one-year (twelve months) rental agreement on December 1, 2022, that requires monthly payments of \$237,524.

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, 2023, the Company had net capital of \$5,159,854, which was \$4,909,854 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.

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2023

NOTE 11 - 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 has entered a twelve-month rental 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 may, from time to time, be named as a defendant in civil actions or a respondent in regulatory actions. The Company is currently not named as a defendant in any non-regulatory civil action. The Company is subject to the regulatory actions discussed below.

On July 25, 2019, FINRA initiated an Enforcement Action 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 (“PCDO”) 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 PCDO. In satisfaction of the order, a deposit of \$2,310,234 was placed in an escrow account pending the appeal.

On April 19, 2023 FINRA initiated a related action to the fee case described above based on allegations that Company violated the PCDO. (See FINRA No. 2019061235603.) FINRA seeks expulsion for the alleged violations. Alpine has denied the allegations and the expedited hearing is set for May 31, 2023. In the event the Hearing Officer issues an expulsion order, Company shall be required to cease operations until it can seek and obtain a stay order from the SEC. The impact to Company’s business could be significant and material.

On August 26, 2021 the SEC has commenced an 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). The OIP is a follow-on action that stems from the 2017 SEC civil action filed in the U.S. Southern District of New York. In the US-SDNY matter, the court found 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.” 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. On April 19, 2023, FINRA followed a follow-on action arising from the cease-and-desist order in which it again seeks expulsion of the firm. The proceeding is scheduled to go forward on May 31, 2023.

On August 10, 2022, the Securities and Exchange Commission filed an action in federal court in the District of Nevada alleging violations of Section 10(b) and Section 15 based on a subset of the same events in 2019 that were the subject of the above-referenced FINRA proceeding. Alpine intends to defend that action.

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 also filed suit against its former CEO, Chris Frankel, alleging breaches of confidentiality and trade secret agreements. In May 2021 the jury awarded Alpine \$932,000 in unjust enrichment damages. Post hearing motions have been resolved in Alpine’s favor and collection efforts are underway.

ALPINE SECURITIES CORPORATION
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2023

NOTE 12 - 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.