

**GUGGENHEIM SECURITIES, LLC AND SUBSIDIARIES**  
(An indirect wholly owned subsidiary of Guggenheim Capital, LLC)

Consolidated Statement of Financial Condition

December 31, 2023

And Report of Independent Registered Public Accounting Firm

Filed in accordance with Rule 17a-5(e)(3) under the securities Exchange Act of 1934.

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/23 AND ENDING 12/31/23  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Guggenheim Securities, LLC

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant  
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

330 Madison Avenue

(No. and Street)

New York

New York

10017

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Christopher Paolino 212-338-8836

Christopher.Paolino@guggenheimpartners.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

KPMG LLP

(Name – if individual, state last, first, and middle name)

345 Park Avenue

New York

NY

10154

(Address)

(City)

(State)

(Zip Code)

10/20/2003

185

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

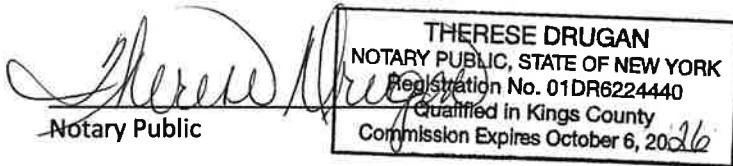
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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Michael Constantino, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Guggenheim Securities, LLC, as of 12/31, 2023, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.



Signature: [Signature]

Title:  
Chief Financial Officer

**This filing\*\* contains (check all applicable boxes):**

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: \_\_\_\_\_

**\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.**

**GUGGENHEIM SECURITIES, LLC AND SUBSIDIARIES**  
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December 31, 2023

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KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## **Report of Independent Registered Public Accounting Firm**

To the Members and Management  
Guggenheim Securities, LLC:

### *Opinion on the Consolidated Financial Statement*

We have audited the accompanying consolidated statement of financial condition of Guggenheim Securities, LLC and subsidiaries (the Company) as of December 31, 2023, and the related notes (collectively, the consolidated financial statement). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2023, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audit provides a reasonable basis for our opinion.

**KPMG LLP**

We have served as the Company's auditor since 2004.

New York, New York  
February 27, 2024

**Guggenheim Securities, LLC and Subsidiaries**  
(An indirect wholly owned subsidiary of Guggenheim Capital, LLC)  
Consolidated Statement of Financial Condition  
December 31, 2023  
(Amounts in thousands)

<b>Assets</b>	
Cash and cash equivalents	\$ 4,132
Cash segregated under federal regulation	100
Due from broker-dealers and clearing organizations	13,338
Securities purchased under agreements to resell	621,817
Securities owned, at fair value	60,403
Accounts receivable from contracts with customers net of allowance \$1,245	22,197
Due from related parties net of allowance of \$361	176,168
Fixed assets net of accumulated depreciation of \$19,429	11,296
Goodwill	23,109
Other assets	32,410
Total assets	\$ <u><u>964,970</u></u>
<b>Liabilities and Members' Equity</b>	
Unearned revenue from contracts with customers	\$ 8,724
Due to related parties	11,892
Accrued expenses and other liabilities	415,909
Total liabilities	<u>436,525</u>
Total members' equity	<u>528,445</u>
Total liabilities and members' equity	\$ <u><u>964,970</u></u>

See accompanying notes to consolidated statement of financial condition.

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Notes to Consolidated Statement of Financial Condition

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**(1) Organization and Nature of Business**

Guggenheim Securities, LLC (Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC), the Financial Industry Regulatory Authority (FINRA), and the Securities Investor Protection Corporation (SIPC). The Company is owned 99.9996% by Links Holdings, LLC (Links) and 0.0004% by Guggenheim Manager, Inc (GMI). GMI is the Managing Member. Guggenheim Capital, LLC (Guggenheim) is the ultimate parent of both Links and GMI. The Company is structured to have a perpetual existence, unless terminated as outlined in the limited liability company agreement. The consolidated financial statements include the accounts of Guggenheim Trust Assets, LLC and TVPX 2023-13118 Business Trust, which are wholly owned subsidiaries of the Company.

The Company engages in investment banking and advisory services for merger-and-acquisition, financial restructuring, and underwriting transactions; principal and agency sales and trading of equity securities, fixed-income securities and structured products; use of reverse repurchase agreements collateralized by fixed-income securities and investment in commercial paper primarily for funding investment of excess net capital; and equity research.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying consolidated statement of financial condition of the Company has been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") as promulgated by the Financial Accounting Standards Board ("FASB") through the Accounting Standards Codification ("ASC") as the source of authoritative accounting principles in the preparation of this consolidated statement of financial condition. The consolidated statement of financial condition includes the accounts of the Company and all other entities in which the firm has a controlling financial interest. All material intercompany accounts and transactions have been eliminated in consolidation.

**(b) Use of Estimates**

The preparation of the consolidated statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated statement of financial condition. Actual results could differ from those estimates.

**(c) Cash**

The Company maintains cash at federally insured banking institutions. Cash on deposit with financial institutions may, at times, exceed federal insurance limits.

**(d) Cash Segregated under Federal Regulation**

Cash segregated under federal regulation consists of cash deposited in a special reserve bank account for the exclusive benefit of customers under the Customer Protection Rule 15c3-3 of the Securities Exchange Act of 1934.

**(e) Securities Purchased under Agreements to Resell (Reverse Repurchase Agreements)**

Reverse repurchase agreements are accounted for as collateralized financing transactions and are recorded at their contracted repurchase value as specified in the respective agreements.

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The Company executes its reverse repurchase agreements with members of Fixed Income Clearing Corporation (FICC) and a related party. At December 31, 2023, the majority of all reverse repurchase agreements held are overnight positions executed with FICC members. FICC minimizes the risks to its members by guaranteeing the settlement of each transaction. FICC interposes itself between the Company and other members and becomes the legal counterparty for settlement purposes. On a daily basis, FICC calculates the fair value of each participant's position and compares it to the contract amount. Any difference is collected from, or paid to, each counterparty by FICC, as applicable. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under reverse repurchase agreements. The Company monitors the fair value of securities purchased and sold on a daily basis, with additional collateral obtained or refunded as necessary.

The Company applies the practical expedient based on collateral maintenance provisions as described in ASC Topic 326-20, *Financial Instruments-Credit Losses (ASC Topic 326-20)* in estimating an allowance for credit losses for reverse repurchase agreements. If the fair value of the collateral held is equal to or exceeds the amortized cost of the borrowing and the borrower is expected to continue to replenish the collateral as needed, the Company will not recognize an allowance. If the fair value of collateral is less than amortized cost and the borrower is expected to continue to replenish the collateral as needed, the Company estimates an allowance for credit losses for the shortfall between the fair value of the collateral and amortized cost.

During 2023, the Company also executed a collateralized financing transaction with a related party which is included in Due to Related Parties on the consolidated statement of financial condition. See note 10, *Related-Party Transactions* for specific transaction details.

**(f) Securities Owned and Securities Sold, but Not Yet Purchased**

Securities transactions are recorded on the consolidated statement of financial condition on trade-date. Securities are recorded at fair value in accordance with FASB ASC Topic 820, *Fair Value Measurements* ("ASC Topic 820").

Securities sold, but not yet purchased, represent obligations of the Company to deliver specified securities, thereby creating a liability to purchase those securities at current market prices. These transactions may result in additional risk if the market price of the securities changes.

**(g) Fair Value Measurements**

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is 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 (i.e., not a forced liquidation or distressed sale). A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC Topic 820, are used to measure fair value.



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The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The fair value of securities is generally based on quoted market prices or dealer observable quotations. In certain markets where observable prices are not available for all products, fair value is determined using techniques appropriate for each particular product.

**(h) Fixed Assets**

Fixed assets consist of computers and software, leasehold improvements, office equipment and furniture, and capitalized project costs, which are reported at historical cost less accumulated depreciation and amortization. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the useful life of the improvement or the remaining lease term.

Capitalized project costs are accounted for under ASC Topic 350-40, *Intangibles-Goodwill-Other-Internal-Use Software* and consist of costs related to internally developed software for the Company's internal use and software acquired as part of hosting arrangements. Projects once in use are amortized over their useful life.

**(i) Goodwill**

Goodwill represents the excess of the purchase price consideration of acquired companies over the estimated fair value assigned to the individual assets acquired and liabilities assumed. Once goodwill has been allocated to the reporting unit, it generally no longer retains its identification with a particular acquisition but instead becomes identifiable with the reporting unit. As a result, all of the fair value of the reporting unit is available to support the value of goodwill allocated to the unit.

In accordance with US GAAP requirements for testing for impairment of goodwill, the Company tests goodwill for impairment on an annual basis, or at an interim period if events or changed circumstances would more likely than not reduce the fair value of a reporting unit below its carrying amount. In testing for goodwill impairment, the Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances led to a determination that it is more likely than not that

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the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events and circumstances, the Company concludes that fair value exceeds its carrying amount, then performing a quantitative impairment test is not necessary. If the Company concludes otherwise, the Company is required to perform a quantitative impairment test that requires a comparison of the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit exceeds its carrying value, the related goodwill is not considered impaired, and no further analysis is required. If the carrying value of the reporting unit exceeds its fair value, then the Company recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value.

The Company completed the annual impairment test as of December 31, 2023, which indicated no goodwill impairment and therefore, no impact to the Company's consolidated statement of financial condition.

**(j)    *Income Taxes***

The Company is organized as a limited liability company is being taxed as a partnership under provisions of the Internal Revenue Code. Under these provisions, the payment of federal income taxes on the Company's earnings is the responsibility of its members rather than that of the Company. Accordingly, no provision or liability for federal income taxes has been recorded in the consolidated financial statements with respect to the limited liability company. The Company is subject to certain state and local income taxes, such as New York City Unincorporated Business Tax (UBT). The Company accounts for these entity-level state and local income taxes under the asset and liability method in accordance with ASC Topic 740, *Income Taxes* (ASC Topic 740). Deferred tax assets and liabilities are recognized for the expected future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. At December 31, 2023, based upon the level of historical taxable income and projections for future taxable income over the periods during which the deferred tax assets are realizable, management believes it is more likely-than-not the Company will realize the benefits of the deferred tax asset included in other assets in the consolidated statement of financial condition.

ASC Topic 740 provides guidance for how uncertain tax positions should be recognized, measured, presented, and disclosed in the consolidated financial statements. ASC Topic 740 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority based on technical merits of the position. Tax benefit should not be recognized for tax positions that do not meet the more-likely-than-not threshold.

Tax positions that meet the more-likely-than-not threshold are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authority. These tax positions are reevaluated routinely and are adjusted appropriately based on changes in facts or law. The Company has not identified any uncertain tax positions that are material to the consolidated financial statements as of December 31, 2023.

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**(3) Fair Value**

The following is a summary of the financial assets and liabilities that are accounted for on a recurring basis by level within the fair value hierarchy as of December 31, 2023:

Assets	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	(in thousands)			
Securities owned:				
Commercial paper	\$ —	54,552	—	54,552
Mortgage-backed securities	—	2,100	—	2,100
Corporate debt	—	—	893	893
Equities	—	890	—	890
Collateralized debt obligations	—	39	120	159
Other asset-backed securities	—	1,787	22	1,809
Total	\$ —	59,368	1,035	60,403

The following is a description of the valuation basis, used in measuring the Company's financial assets and liabilities that are accounted for at fair value on a recurring basis.

***Commercial Paper and Corporate Debt Securities***

Commercial paper and corporate debt securities are measured primarily using observable pricing data for recently executed market transactions of comparable size, additionally pricing for corporate debt uses bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve (Level 2). If pricing data is not available, alternative valuation techniques are used including cash flow and net present value models incorporating yield or spread data of other available publicly traded operating company debt of the issuer, publicly traded holding company debt and preferred stock of single name companies, and high yield bond indexes (Level 3).

***Collateralized Debt Obligations***

Collateralized debt obligations are measured based on prices observed for recently executed market transactions (Level 2). If external prices or spread data is not available and alternate valuation techniques using cash flow models incorporating assumptions for constant prepayment rates, constant default rates, and severity for comparable securities are utilized, then these securities are categorized as Level 3.

***Mortgage-Backed Securities***

Mortgage-backed securities are valued based on price or spread data obtained from observed transactions (Level 2). When position-specific external price data are not observable, the fair value determination may require benchmarking to similar instruments and/or analyzing expected credit losses, default, and recovery rates (Level 3).

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***Other Asset-Backed Securities***

Other asset-backed securities are bonds or notes backed by financial assets. Typically, these assets consist of, but are not limited to securities backed by auto-loans, credit card receivables, aircraft loans, and student loans. Valuations are determined by similar securities that are recently traded in the market (Level 2) and/or valuation models (Level 3).

***U.S. Government and Agency Securities***

U.S. government and agency securities are measured based on quoted market prices and categorized within Level 1 of the fair value hierarchy. Noncallable agency-issued debt securities are generally valued using quoted market prices. Callable agency-issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. Actively traded noncallable agency-issued debt securities are generally categorized in Level 1 of the fair value hierarchy. Callable agency-issued debt securities are generally categorized in Level 2 of the fair value hierarchy.

***Equities***

Exchange traded equity securities are valued based on quoted prices from the exchange for identical assets or liabilities as of the period-end date. To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized as Level I. Non-exchange traded equity securities (unregistered common shares) are valued based on quoted prices from the exchange for registered common shares of the same entity and are categorized within Level II of the fair value hierarchy.

***Level 3 Securities***

The availability of observable inputs can vary and is affected by a wide variety of factors, including, for example, the type of financial instrument and market conditions. As the observability of prices and inputs may change for a financial instrument from period to period, this condition may cause a transfer of an instrument among the fair value hierarchy levels. Transfers among the levels are recognized at the beginning of each period. The degree of judgment exercised in determining fair value is the greatest for instruments categorized in Level 3.

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The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2023:

	<b>Balance at January 1, 2023</b>	<b>Realized gains</b>	<b>Unrealized gains (losses)</b>	<b>Purchases (sales), net</b>	<b>Transfers in, net</b>	<b>Balance at December 31, 2023</b>
	(In thousands)					
Securities owned:						
Corporate debt	\$ 845	—	48	—	—	893
Collateralized debt obligations	114	—	13	—	(7)	120
Other asset-backed securities	25	83	(3)	(83)	—	22
Total	<u>\$ 984</u>	<u>83</u>	<u>58</u>	<u>(83)</u>	<u>(7)</u>	<u>1,035</u>

***Quantitative Information about Significant Unobservable Inputs Used in Recurring Level 3 Fair Value Measurements***

The table below presents information on the valuation techniques, significant unobservable inputs and their ranges for financial assets subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance.

<b>Financial instruments owned</b>	<b>Fair Value</b>	<b>Valuation technique</b>	<b>Significant unobservable input(s)</b>	<b>Range</b>
	(in thousands)			
Corporate debt	\$ 893	Discounted cash flows	Interest rate	9.0% to 10.0%
Collateralized debt obligations	120	Discounted cash flows	Constant prepayment rate	0% to 25%
			Constant default rate	0% to 6.5%
			Loss severity	30% to 100%
Other asset-backed securities	22	Discounted cash flows	Constant prepayment rate	0% to 25%
			Constant default rate	0% to 12%
			Loss severity	30% to 110%
			Future lease rates	\$ 1,000 to 400,000 per month
			Residual values	\$ 0 to 30,250,000

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***Sensitivity of Fair Value Changes in Significant Unobservable Inputs***

For recurring fair value measurements within Level 3 of the fair value hierarchy, the sensitivity of the fair value measurement to changes in significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

A discounted cash flow valuation technique is used for collateralized debt obligations, corporate debt and other asset backed securities. A significant increase (decrease) in isolation in the constant default rate or loss severities would result in significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate would have differing impacts depending on the capital structure of the security.

***Financial Assets and Liabilities Not Measured at Fair Value***

The fair values of other financial assets and liabilities carried at cost (consisting primarily of due from broker-dealers and clearing organizations, accounts receivable from contracts with customers, and reverse repurchase agreements) are considered to approximate fair value because they have limited counterparty credit risk and are short-term, replicable on demand, or bear interest at market rates. The majority of the other financial assets and liabilities carried at costs are categorized in Level 1, with the exception of reverse repurchase agreements which are categorized in Level 2.

**(4) Due from Broker-Dealers and Clearing Organizations**

The balance due from broker-dealers and clearing organizations represents the net amount due from the broker-dealers and clearing organizations for settled and unsettled transactions and related activity. As of December 31, 2023, balances due from broker-dealers and clearing organizations consist of the following:

	<b>Due from</b>
	(In thousands)
Due from broker-dealers and clearing organizations	\$ 13,338
	<u>\$ 13,338</u>

The Company clears the vast majority of its principal and customer security transactions through another broker-dealer, Pershing, LLC (Pershing) on a fully disclosed basis.

**(5) Collateral**

The Company may pledge securities to clearing organizations to collateralize repurchase transactions where the counterparty has the right by contract to sell or repledge the securities.

The table below presents securities at fair value the Company received as collateral as of December 31, 2023:

	(In thousands)
Fair value of collateral received under reverse repurchase agreements that are available to be delivered or repledged	\$ 649,245

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The Company can pledge certain marketable securities owned to collateralize repurchase agreements, other secured borrowings, or to satisfy its settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such securities. As of December 31, 2023, there are no securities pledged that can be sold or repledged by counterparties.

The collateral posted as part of reverse repurchase agreements is subject to changes in market price and thus may decline or increase in value during the time of the agreement. In that case, the Company may receive or return a portion of the collateral posted when the collateral posted experiences a market value change. The market risk of the collateral posted is reviewed by the Company's risk function, and these risks are managed using a variety of mechanisms including review of the type and grade of securities posted as collateral.

**(6) Fixed Assets**

At December 31, 2023, fixed assets consisted of the following:

	(in thousands)
Computers and software	\$ 17,271
Leasehold improvements	7,639
Capitalized project costs	2,409
Office equipment and furniture	1,797
Aircraft	1,609
	<hr/> 30,725
Less accumulated depreciation and amortization	<hr/> (19,429)
Net book value	\$ <hr/> <hr/> 11,296

**(7) Other Assets**

At December 31, 2023 other assets consisted of the following:

	(in thousands)
Prepaid assets	\$ 17,314
Lease asset - right of use	8,434
Notes receivable	3,462
Deferred tax asset	1,858
Other	1,342
	\$ <hr/> <hr/> 32,410

Prepaid assets mainly consist of prepaid compensation, prepaid market data, and prepaid hosting arrangements. Prepaid hosting arrangements includes prepaid subscription expense and capitalized implementation costs related to a customer relationship management service contract for the investment banking business.

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**(8) Accrued Expenses and Other Liabilities**

At December 31, 2023 accrued expense and other liabilities consisted of the following:

(in thousands)

Accrued compensation	\$ 371,469
Accounts payable and accrued expenses	33,645
Lease liability	10,795
	<u>\$ 415,909</u>

**(9) Accounts Receivable from Contracts with Customers**

The timing of revenue recognition may differ from the timing of payments by customers. A receivable is recorded when revenue is recognized prior to payment and it has an unconditional right to payment. Alternatively, when payment precedes the provision of related services, revenue is deferred as unearned until performance obligations have been satisfied.

The Company had accounts receivable from contracts with customers of \$54.4 million at January 1, 2023 and \$22.2 million at December 31, 2023. The Company records the estimate of expected credit losses as an allowance for credit losses based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The Company recognized an allowance for credit losses of \$1.2 million during the year.

Unearned revenue from contracts with customers primarily relates to retainer fees and progress fees from investment banking and advisory services. Unearned income from contracts with customers totaling \$8.7 million at December 31, 2023 is expected to be recognized in 2024 when performance obligations have been satisfied.

**(10) Related-Party Transactions**

Related parties may pay certain expenses on behalf of the Company throughout the year. The Company records an expense and an associated due to related party and remits cash payment to the related party on a monthly basis. At December 31, 2023, \$11.9 million of net expenses paid by related parties on the Company's behalf is due to related parties and is due to related parties in the consolidated statement of financial condition. The Company may also pay expenses on behalf of related parties throughout the year. The Company records a receivable and collects cash payment from the related party on a monthly basis. At December 31, 2023, approximately \$1.3 million of net expenses paid on behalf of related parties is included in due from related parties in the consolidated statement of financial condition.

The Company has a service agreement with the Parent and certain subsidiaries of Guggenheim under which the following services are provided: premises; technology services, including hardware, software, and telecommunications; corporate finance, including accounting, tax, and planning; human resources and benefits administration; executive management; general administration; legal; and marketing. The Company also provides services under the same service agreement to the Parent and certain subsidiaries of Guggenheim including compliance, business strategy, and project management support.



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During the year, the Company entered into a Master Assignment Agreement, which was subsequently modified, with a related party that owns rated insurance companies and other diversified financial service businesses controlled by an executive of Guggenheim (the “Transaction Counterparty”). Under the terms of the transaction (the “Transaction”), the Transaction Counterparty assigned the Company interests in a pool of term loans to corporate borrowers (the “Investment Interests”) in exchange for a cash payment of \$250 million by the Company. The Transaction has been accounted for as a secured lending in accordance with ASC Topic 860, *Transfers and Servicing*. Interest is payable to the Company by the Transaction Counterparty and settled monthly. Initially, interest was fixed at an annual rate of 5.75% and subsequently modified to a variable rate that is reset monthly. The Transaction Counterparty will continue to administer the Investment Interests in its sole discretion. The Company may request the Transaction Counterparty to reacquire the assigned Investment Interests upon one business days’ notice in exchange for a cash payment comprising outstanding principal plus accrued and unpaid interest. The Transaction Counterparty reacquired \$75 million in Investment Interests during the year. There is no contractual maturity for the Transaction. There are no provisions for receiving or returning additional collateral when the collateral experiences a market value change or upon the maturity or a default of the underlying Investment Interests. This impacts the credit risk to the Company associated with the decline in the value of collateral, which is mitigated by the Company’s option to terminate the Transaction with one business days’ notice.

On December 31, 2023, the carrying value of the Transaction of \$174.8 million (including outstanding principal of \$175.0 million, accrued and unpaid interest of \$0.2 million and estimated credit loss of \$0.4 million) is included in Due from related parties in the consolidated statement of financial condition. At December 31, 2023, the par value of the pool of loans collateralizing the Transaction of \$231.0 million exceeded the Company’s carrying value of the Transaction.

The Company has estimated the expected credit losses for the Transaction in accordance with ASC Topic 326, *Financial Instruments – Credit Losses*, to be approximately \$0.4 million at December 31, 2023. The Company calculates the expected credit loss using probabilities of default (“PD”) and loss given default (“LGD”), which are largely dependent upon the level of collateralization provided by the assigned Investment Interests. PD and LGD are derived from current and historical market information for transactions with similar features, such as Collateralized Loan Obligations. Market based historical information is also used to develop the calibration of LGD. The historical LGD assumptions are adjusted based on the level of diversity in the assigned Investment Interests to reflect the greater risk inherent in a less diversified pool of assets. The model also considers the risk mitigation benefit from the Company’s ability to request the Transaction Counterparty to reacquire the assigned Investment Interests upon one business days’ notice.

As of December 31, 2023, the Company has entered into a reverse repurchase agreement with the Transaction Counterparty under the terms of a master repurchase agreement. The carrying value of the reverse repurchase agreement is \$100.0 million and is included in securities purchased under agreements to resell in the consolidated statement of financial condition as of December 31, 2023. The reverse repurchase agreement is collateralized by investment grade corporate debt.

**(11) Off-Balance-Sheet Risk and Concentrations of Credit Risk**

***Off-Balance-Sheet Risk***

The vast majority of customer securities transactions are cleared through Pershing, on a fully disclosed basis. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contractual obligations. As a result, the Company’s exposure to credit risk can be

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directly impacted by volatile trading markets, which may impair the customers' ability to satisfy their obligations.

The agreement between the Company and Pershing provides that the Company is obligated to assume any exposure related to nonperformance by its customers. The Company seeks to mitigate the risk associated with nonperformance by monitoring all customer activity and reviewing information it receives from Pershing on a daily basis. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of customers and counterparties with which it conducts business.

The Company engages in short-term principal trading activities, including entering into securities sold, not yet purchased positions, in order to manage exposure to market risk. The Company has recorded these obligations in accrued expenses and other liabilities in the consolidated statement of financial condition at December 31, 2023 at the fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to December 31, 2023. The Company has minimal exposure at December 31, 2023.

As part of the Company's fixed-income business, the Company enters into foreign exchange transactions to facilitate the settlement of trades in local currencies. As these foreign currency transactions are typically converted to U.S. dollars to match the settlement of the underlying transactions, the Company expects the risk of loss due to foreign currency exposure to be minimal.

Additionally, the Company enters into contracts that contain a variety of customary representations and warranties, which provide customary general indemnifications. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of loss to be remote.

***Concentrations of Credit Risk***

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. 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. It is also the policy of the Company to obtain possession of collateral with market value equal or in excess of the principal account loaned under reverse repurchase agreements.

***Market Risk***

The Company is engaged in various financial services. As such, we are affected by domestic and international macroeconomic and political conditions, as well as economic output levels, interest and inflation rates, and fiscal and monetary policy. Changes in tax law and regulation, or any market uncertainty caused by a change in the political environment, may negatively affect our business. Macroeconomic conditions may also be negatively impacted by domestic or international events, including natural disasters, political unrest, or public health epidemics and pandemics, as well as by a number of factors in the global financial markets that may be detrimental to our operating results. U.S. markets may also be impacted by public health epidemics or pandemics, such as the COVID-19 pandemic, as well as by political and civil unrest occurring in parts of the world.

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**(12) Regulatory Requirements**

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (Rule 15c3-1), which requires the maintenance of minimum net capital (the greater of the Company's dollar requirement or requirement for reverse repurchase overcollateralization). At December 31, 2023, the Company had net capital of \$269.2 million, which was \$267.8 million in excess of its required net capital of \$1.4 million.

As a clearing firm, the Company is also subject to the SEC Customer Protection Rule 15c3-3 (Rule 15c3-3), which requires protection of customer cash and securities. Currently, the Company does not carry any customer accounts and various customer transactions are cleared through other broker-dealers on a fully disclosed basis. The only transactions that are self-clearing are the repurchase and reverse repurchase agreement transactions and U.S. government and agency transactions.

The Company has a signed proprietary accounts of introducing brokers (PAB) agreement with Pershing to enable it to include certain assets as allowable assets in its net capital computation.

**(13) Employee Compensation, Benefits, and Commissions**

**(a) *Employee Benefit Plans***

All participating employees are eligible to participate in the Guggenheim 401(k) plan (the Plan). For the year ended December 31, 2023, the Company accrued discretionary matching contributions of \$3.8 million for its pro rata share of the Plan.

**(b) *Unit-Based Compensation***

***Phantom Units***

Certain employees of the Company are awarded phantom units by Guggenheim as part of its plan to retain key employees. Guggenheim grants the awards under the Guggenheim Capital Phantom Unit Plan (the Plan). Participants are credited with phantom units that track the value of common units of Guggenheim. Participants receive dividend distributions and liquidating distributions in cash, on a pari passu basis with Guggenheim's common units. Phantom awards issued as part of the Company's annual incentive compensation are classified as equity awards granted by Guggenheim to Company personnel. The ultimate settlement of phantom units through conversion to Guggenheim common units or cash distributions is Guggenheim's obligation.

The Company recognizes Phantom Plan awards in accordance with ASC Topic 718. Under ASC Topic 718, these awards were issued at the grant date fair value. Associated grants have an associated liability in accrued expenses and other liabilities and \$7.9 million is due to Guggenheim as of December 31, 2023. Generally, the awards will be amortized over a four year pro rata vesting schedule from the grant date. However, awards held by participants whose age plus years of service (minimum of 5 years) is equal to at least 60 have an accelerated vesting period. These awards will be amortized from the grant date through the date at which the terms are satisfied, which in many cases may be the grant date.

There are 10 million non-vested units outstanding at December 31, 2023.

At December 31, 2023, the total number of units outstanding under the Phantom Plan specifically related to Company employees was as follows:

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	<u>Units</u>		<u>Weighted-Average price</u>
	(in thousands)		
Outstanding at December 31, 2022	21,393	\$	19.29
Issued during 2023	6,124		18.00
Redemptions	(5,819)		16.27
Forfeitures	(763)		21.54
Outstanding at December 31, 2023	<u>20,935</u>		19.67

**(14) Commitments and Contingencies**

The Company may be subject to legal and regulatory proceedings and examinations that are generally incidental to the Company's ongoing operations. While there can be no assurance of the ultimate disposition of any such proceedings or examinations, the Company believes their disposition, based on information available at this time, will not have a material adverse effect on the Company's consolidated financial position.

In accordance, with ASC Topic 450, *Contingencies*, the Company recognizes liabilities for contingencies when there is an exposure that, when analyzed, indicates it is both probable that a liability will be incurred, and the amount can be reasonably estimated. The Company discloses a contingency if there is at least a reasonable possibility that a loss may have been incurred and there is no accrual for the loss because the conditions above are not met or an exposure to loss exists above the amounts accrued.

The Company has been cooperating with the SEC in connection with an investigation of the Company's business' compliance with records preservation requirements relating to business communications and/or electronic messaging channels that have not been retained by the firm. On February 8, 2024, the SEC accepted the Company's offer of settlement and on February 9, 2024 entered a settled administrative order in form and content similar to those previously entered in relation to numerous other broker-dealers and investment advisers as part of the SEC's sweep of firms' use of off-channel communications. The Company has recognized a liability in accrued expenses and other liabilities in the consolidated statement of financial condition as of December 31, 2023 in connection with the settlement.

In the normal course of business, the Company enters into underwriting commitments. There were no open underwriting transaction commitments at December 31, 2023.

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**(15) Leases**

The Company leases office space under operating leases, with maturity dates ranging from March 31, 2024 to July 31, 2030. Some of the leases may include an option to renew the lease, but the Company generally does not include optional periods as part of the lease term, unless it is reasonably certain that the Company will exercise the option(s). The Company generally prepays the rent. In addition to rent payments, the operating leases may also require payment for real estate taxes, insurance costs, common area maintenance, and utilities. These payments typically are not fixed. The Company accounts for these costs as variable payments and excludes them from the monthly fixed rent payment amounts included in the lease liability calculations.

The operating lease liability consists of the fixed rental payments discounted to present value using the Company's incremental borrowing rate (IBR) for each lease, as the rate implicit in the lease is generally not readily determinable.

At December 31, 2023 the Company's right of use asset and lease liabilities are \$8.4 million and \$10.8 million, respectively, which are included in other assets and accrued expenses and other liabilities in the consolidated statement of financial condition.

The following table summarizes the Company's weighted-average remaining lease term and the weighted-average discount rate as of December 31, 2023:

	<u>December 31, 2023</u>
Weighted-average remaining lease term	3.94 years
Weighted-average discount rate	6.76%

The following table presents the maturity analysis of the Company's operating lease liabilities as of December 31, 2023:

	(in thousands)
2024	\$ 3,648
2025	3,076
2026	2,134
2027	1,923
2028	898
Thereafter	844
Total lease payments	<u>12,523</u>
Less: Interest	(1,728)
Present value of lease liability	<u><u>\$ 10,795</u></u>

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**(16) Subsequent Events**

Management has evaluated all subsequent events for the Company after the consolidated statement of financial condition date through February 27, 2024, the date the consolidated statement of financial condition was available to be issued and has concluded there are no recognized or unrecognized events that require financial statement disclosure