

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

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SagePoint Financial, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

20 E. Thomas Road, Suite 2000

(No. and Street)

Phoenix

Arizona

85012

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

David Schmidt (602) 262-3301

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

2901 N. Central Ave Suite 1200 Phoenix

AZ

85012

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

## OATH OR AFFIRMATION

I, David Schmidt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SagePoint Financial, Inc., as of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

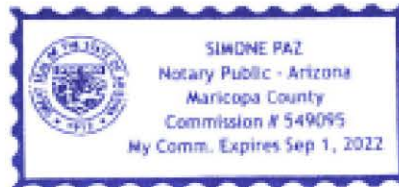
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Signature

Treasurer and Financial Operations Principal  
Title

  
Notary Public



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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

SAGEPOINT FINANCIAL, INC.  
(SEC I.D. No. 8-88771)

STATEMENT OF FINANCIAL CONDITION AND RELATED NOTES  
AS OF DECEMBER 31, 2018  
AND REPORT OF INDEPENDENT REGISTERED  
PUBLIC ACCOUNTING FIRM

# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of  
Advisor Group Holdings, Inc.)

**Statement of Financial Condition**  
**December 31, 2018**

# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

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**December 31, 2018**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholder and the Audit Committee SagePoint Financial, Inc.:

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of SagePoint Financial, Inc. (the "Company") as of December 31, 2018, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 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 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 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 financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

*Deloitte & Touche LLP*

February 28, 2019

We have served as the Company's auditor since 2017.

# SagePoint Financial, Inc.

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## Statement of Financial Condition

December 31, 2018

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*(in thousands of dollars, except share amounts)*

### Assets

Cash and cash equivalents	\$ 10,975
Securities owned, at fair value	31
Receivables from broker-dealers	6,326
Accounts and notes receivable	22,909
Receivables from registered representatives	1,969
Receivables from affiliates	1,637
Advisor loans from registered representatives, net of accumulated amortization and allowance for doubtful accounts of \$11,636	6,387
Deferred tax asset	18,850
Income tax receivable	353
Other assets	334

Total assets	<u>\$ 69,771</u>
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### Liabilities and Stockholder's Equity

Commissions payable	\$ 16,848
Deferred commissions payable	367
Accounts payable and accrued expenses	548
Payables to affiliates	2,173
Deferred income	4

Total liabilities	<u>19,938</u>
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Commitments and contingencies (Note 10)

### Stockholder's Equity

Common stock - \$250 par value; 1,000 shares authorized, issued and outstanding	250
Additional paid-in capital	85,132
Accumulated deficit	<u>(35,549)</u>

Total stockholder's equity	<u>49,833</u>
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Total liabilities and stockholder's equity	<u>\$ 69,771</u>
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The accompanying notes are an integral part of this financial statement.



# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## **Notes to the Financial Statement**

**December 31, 2018**

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### **1. Organization and Operations**

SagePoint Financial, Inc. (the "Company") is a wholly-owned subsidiary of Advisor Group, Inc. ("Advisor Group"), and an indirect wholly-owned subsidiary of Advisor Group Holdings, Inc. ("AGHI"). The Company is a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, and an investment advisor registered under the Investment Advisers Act of 1940. The Company's primary business is the sale of financial products through its independent registered representatives. The Company executes its customers' transactions on a fully-disclosed basis, through unaffiliated clearing broker-dealers, which carry the accounts and securities of the Company's customers.

### **2. Significant Accounting Policies**

#### **Use of Estimates**

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statement and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### **Correction of Immaterial Misstatement**

Subsequent to the issuance of the prior year financial statement, management determined that forgivable loan amortization was recorded incorrectly for certain advisor loans. In some instances, the amortization terms did not match the forgiveness terms of the loan documents. Accordingly, the Company recorded a prior period adjustment to increase opening retained earnings by \$187,000, increase Advisor loans, net, by \$764,000, increase Receivables from affiliates by \$44,000, increase Payables to affiliates by \$579,000, and increase Deferred tax liability (for related income tax effects) by \$81,000 as of January 1, 2018 to correct this misstatement. The Company evaluated this correction considering both quantitative and qualitative factors and concluded it was immaterial to the previously issued financial statement.

#### **Recently Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board ("FASB") issued amended guidance on revenue recognition. In March, April and May 2016, the FASB issued implementation amendments to the May 2014 amended revenue recognition guidance. The amended guidance, including the implementation amendments (together, the "amended guidance"), affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. The core principle of the amended guidance is that an entity recognizes 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. To achieve the core principle, the entity applies a five-step process outlined in the amended guidance. The amended guidance also includes a cohesive set of disclosure requirements. The amended guidance also requires capitalization of incremental costs to obtain a contract with amortization recognized as services are transferred to the customer. In August 2015, the FASB issued guidance to defer the effective date of the revenue recognition guidance. The amended guidance is effective for annual periods beginning after December 15, 2017 and earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. An entity can choose to apply the amended guidance using either the full retrospective approach or a modified retrospective approach.



# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## **Notes to the Financial Statement**

**December 31, 2018**

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The Company adopted the provisions of this guidance on January 1, 2018 using the modified retrospective approach. This approach was applied to all contracts not completed as of January 1, 2018. In addition to the enhanced footnote disclosure, the most significant impact of the amended guidance was to the timing of recognizing recruiting fees and chargebacks. There were no other significant changes to the accounting for revenue.

Prior to the adoption of the amended guidance, the Company evaluated and expensed the incremental costs incurred related to recruiting independent registered representatives to affiliate with the Company. The amended guidance requires us to capitalize the related costs and amortize as services are transferred to the customer. The cumulative impact of the change was an increase to Retained earnings of \$332,000, an increase to Income tax payable (for related income tax effects) of \$120,000, and an increase in Receivables from affiliates of \$452,000.

### **Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued new guidance on leases. The new guidance will replace the current lease guidance. The new guidance requires that entities recognize the assets and liabilities associated with leases on the balance sheet and to disclose key information about leasing arrangements. The new guidance is effective in fiscal years beginning after December 15, 2018. Therefore, the Company is required to adopt the guidance on January 1, 2019. Early adoption is permitted. The Company is evaluating the requirements of this new lease guidance and the potential impact on the Company's financial position and results of operations and as of December 31, 2018 cannot reasonably estimate the impact to the financial statement.

In August 2018, the FASB issued amended guidance on disclosure requirements for fair value measurement. The amendment removes or modifies certain required disclosures, and adds additional disclosures intended to provide more relevant information regarding valuation techniques and inputs used to arrive at measures of fair value, uncertainty in the fair value measurements, and how changes in fair value measurements impact a company's performance and cash flows. The new guidance is effective in fiscal years beginning after December 15, 2019. Therefore, the Company is required to adopt the guidance on January 1, 2020. Early adoption is permitted. The Company is evaluating the requirements of this new fair value guidance and the potential impact on the Company's disclosure requirements and as of December 31, 2018 cannot reasonably estimate the impact to the financial statement.

### **Cash Equivalents**

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business.

### **Concentration of Risk**

At times, cash and cash equivalents may exceed the insurance limits of the Federal Deposit Insurance Corporation. Management believes its risk of loss is mitigated by investing in or through reputable major financial institutions.

### **Advisor Loans**

Repayable loans consist of interest bearing loans with maturities generally ranging from two to seven years. These loans are included in Advisor loans from registered representatives on the Statement of Financial Condition. An estimate of the amount where collection is doubtful is reserved. Repayable loans totaled approximately \$362,000 net of \$1,859,000 of allowance for doubtful accounts as of December 31, 2018.

The Company also makes loans or pays advances to registered representatives as part of its recruiting or retention processes. Each year, a portion of these loans will be forgiven (generally over a period of three to



## SagePoint Financial, Inc.

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

### Notes to the Financial Statement

December 31, 2018

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seven years) as and when the registered representative meets certain operating and gross dealer concession levels. If a registered representative separates from the Company, any remaining balance of the loan becomes immediately due and payable. Generally, these loans have historically become uncollectible after the registered representative has separated from the Company. Accordingly, it is reclassified as a repayable loan with a full allowance for doubtful account until all collection efforts are exhausted at which time any remaining balances will be written off. Recoveries, if any, are recognized when received. Forgivable loans totaled approximately \$8,025,000 net of accumulated amortization expense of \$9,777,000 as of December 31, 2018.

Effective October 1, 2017 all new forgivable loans are recorded at Advisor Group. As the loans are amortized, amortization expense is charged to the Company by Advisor Group. The loans are funded by Advisor Group, which is also the counterparty on the executed loan agreement. If a registered representative separates from the Company, a repayable loan would be set up at Advisor Group. Bad debt from uncollectible balances or subsequent recoveries will be charged to the Company by Advisor Group. For the year ended December 31, 2018, forgivable loans of \$4,957,000 were recorded by Advisor Group related to registered representatives of the Company.

The following schedule reflects the Company's activity in providing for an allowance for uncollectible amounts for advisor loans:

*(in thousands of dollars)*

Beginning balance - January 1	\$ 1,315
Recoveries of amounts charged off	(299)
Provision for doubtful accounts	<u>843</u>
Ending balance - December 31	<u>\$ 1,859</u>

#### Income Taxes

In preparing the financial statement, the Company estimates income tax expense based on various jurisdictions where it conducts business. The Company then must assess the likelihood that the deferred tax assets will be realized. A valuation allowance is established to the extent that it is more-likely-than-not that such deferred tax assets will not be realized. Management makes significant judgments in determining the provision for income taxes, the deferred tax assets and liabilities, and any valuation allowances recorded against the deferred tax asset. Changes in the estimate of these taxes occur periodically due to changes in the tax rates, changes in the business operations, implementation of tax planning strategies, resolution with taxing authorities of issues where the Company had previously taken certain tax positions, and newly enacted statutory, judicial, and regulatory guidance. These changes could have a material effect on the Company's Statement of Financial Condition in the period or periods in which they occur.

The Company recognizes the tax effects of a position in the financial statement only if it is more-likely-than-not to be sustained based solely on its technical merits; otherwise no benefits of the position are to be recognized. The more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. Moreover, each tax position meeting the recognition threshold is required to be measured as the largest amount that is greater than 50 percent likely to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information.

The Company is included in the consolidated federal income tax return of AGHI. In addition, in those states that have a unitary structure, AGHI also plans to file consolidated returns which include the Company. Federal income taxes and state income taxes under unitary structures are calculated as if the Company



# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## **Notes to the Financial Statement**

**December 31, 2018**

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filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from AGHI. The amount of current taxes payable or refundable is recognized as of the date of the financial statement, utilizing currently enacted tax laws and rates. The Company uses the liability method to account for federal and state taxes in accordance with authoritative guidance under US GAAP on income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax benefits and consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates for the years in which the temporary difference is expected to reverse. The Company calculates its current and deferred state income taxes using the actual apportionment and statutory rates for states in which the Company is required to file on a separate basis.

### **Contingent Liabilities**

The Company recognizes liabilities for contingencies where there is an exposure that, when fully analyzed, indicates that it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Whether a loss is probable, and if so, the estimated range of probable loss is based upon currently available information and is subject to significant judgment, a variety of assumptions, and uncertainties. When a range of possible loss can be estimated, the Company accrues the most likely amount within that range; if the most likely amount of possible loss within that range is not determinable, we accrue at the bottom of the range. No liability is recognized for those matters which, in management's judgment, the determination of a reasonable estimate of loss is not possible.

The Company records liabilities related to legal and regulatory proceedings in Accounts payable and accrued expenses on the Statement of Financial Condition. The determination of these liability amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the customer's account; the basis and viability of the claim; the possibility of wrongdoing on the part of one of our independent representatives; previous results in similar cases; available insurance; applicable indemnifications; and legal precedents and case law. The actual costs of resolving legal matters or regulatory proceedings may be substantially higher or lower than the amounts of the liability recorded for such matters. The cost of defense related to legal and regulatory matters are expensed in the period they are incurred.

### **3. Fair Value Measurements**

The Company's financial instruments as of December 31, 2018 consist of cash and cash equivalents; securities owned; and receivables from and payables to third parties and affiliates. The carrying amounts of cash and receivables from and payables to third parties and affiliates approximate fair value due to their short term nature.

In accordance with FASB Accounting Standards Codification ("ASC") 820, the Company discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;

Level 2: Inputs, other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3: Inputs that are unobservable.



# SagePoint Financial, Inc.

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## Notes to the Financial Statement

December 31, 2018

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A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires judgment. Management considers observable data to be market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The Company's fair value measurements are evaluated within the fair value hierarchy, based on the nature of inputs used to determine the fair value at the measurement date. As of December 31, 2018, the Company had the following financial assets and liabilities that are measured at fair value on a recurring basis:

### *Securities Owned*

The Company's trading securities include certificates of deposit and traded debt securities.

The Company uses prices obtained from independent third-party pricing services to measure the fair value of its trading securities. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices, and review of other relevant market data including implied yields of major categories of securities. In general, these quoted prices are derived from active markets for identical assets or liabilities. When quoted prices in active markets for identical assets and liabilities are not available, the quoted prices are based on similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. For certificates of deposit and treasury securities, the Company utilizes market-based inputs, including observable market interest rates that correspond to the remaining maturities or the next interest reset dates. As of December 31, 2018, the Company did not adjust prices received from the independent third-party pricing services.

The fair values of assets and liabilities carried at fair value on a recurring basis as of December 31, 2018 are summarized as follows:

<i>(in thousands of dollars)</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
Securities owned				
Municipal and other governmental bonds	\$ -	\$ 9	\$ -	\$ 9
Corporate bonds	-	22	-	22
	<u>-</u>	<u>22</u>	<u>-</u>	<u>22</u>
Total assets at fair value	\$ -	\$ 31	\$ -	\$ 31

There have been no transfers of assets or liabilities between these fair value measurement classifications during the year ended December 31, 2018.



## SagePoint Financial, Inc.

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

### Notes to the Financial Statement

December 31, 2018

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#### 4. Accounts and Notes Receivable

Accounts and notes receivable as of December 31, 2018 consist of the following:

*(in thousands of dollars)*

Commission revenue receivable	\$	15,252
Clearing credit revenues		2,186
Sponsor revenue receivable		5,367
Other		104
		<hr/>
	\$	22,909
		<hr/>

#### 5. Related Party Transactions

Pursuant to an Expense Sharing Agreement dated January 1, 2017, among Advisor Group and its various affiliates, including the Company, Advisor Group provides administrative, marketing, investment management, accounting, occupancy, and data processing services to the Company and other affiliates. The allocation of costs for services is based generally on estimated levels of usage, transactions or time incurred in providing the respective services. This agreement is reviewed annually by Advisor Group and its affiliates, and the allocation of costs for services were updated effective January 1, 2018. The terms of the Expense Sharing Agreement may not necessarily be indicative of the terms that would have existed if the Company obtained similar services from other parties.

The payment, timing and amount of any dividends are subject to approval by the Board of Directors as well as net capital rules which provide that the broker-dealer's capital may not be withdrawn if resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and FINRA to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements.

As of December 31, 2018 the Company had the following intercompany payables due to Advisor Group and its affiliates:

*(In thousands of dollars)*

	Due To	Due From
Royal Alliance Associates, Inc.	\$ 299	\$ -
FSC Securities Corporation	-	1,637
Woodbury Financial Services, Inc.	2	-
Advisor Group, Inc.	1,764	-
Advisor Group Holdings, Inc.	108	-
	<hr/>	<hr/>
	\$ 2,173	\$ 1,637
	<hr/>	<hr/>

#### 6. Deferred Commissions Payable

The Company has an incentive plan (the "Incentive Plan") to compensate certain registered representatives who produce substantial business for the Company on a continuing basis. The Company accrues 5% of qualified commissions, as defined, and an assumed investment return less the effect of expected forfeitures, to the Incentive Plan each year. Participants become fully vested in the annual contributions at the end of

## SagePoint Financial, Inc.

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

### Notes to the Financial Statement

December 31, 2018

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five years provided their qualified commissions meet a defined minimum level each year and that they are still registered representatives of the Company. The Incentive Plan is closed to new participants. For plan years beginning after January 1, 1991, any amounts forfeited by disqualified participants are reallocated to the Company. Amounts payable by the Company as of December 31, 2018, which amounted to approximately \$367,000.

#### 7. Income Taxes

The following table presents the components of the net deferred tax assets (liabilities):

*(In thousands of dollars)*

Deferred Tax Asset:	
Accrued legal fees	\$ 29
Bad debts	85
Unearned income	3
Intangibles	<u>20,660</u>
Total Deferred Tax Asset	<u>20,777</u>
Deferred Tax Liability:	
State taxes	(837)
Advisor loans	(675)
Prepays	<u>(415)</u>
Total Deferred Tax Liability	<u>(1,927)</u>
Net Deferred Tax Asset/(Liabilities)	<u>\$ 18,850</u>

The Company recognizes and measures its unrecognized tax benefits in accordance with authoritative guidance. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change.

The Company accrues interest and penalties related to uncertain tax positions in its provision for income taxes within the Statement of Financial Condition. As of December 31, 2018, the Company had no liability for uncertain tax positions.

The Company files income tax returns in the federal jurisdiction, as well as most state jurisdictions, and is subject to routine examinations by the respective taxing authorities. The tax years of 2015 to 2018 remain open to examination in the federal jurisdiction. The tax years of 2014 to 2018 remain open to examination in the state jurisdictions.

The Company does not have any tax positions at the end of the year for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of the reporting date.



# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## **Notes to the Financial Statement**

**December 31, 2018**

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### **8. Net Capital Requirements and Exemptions**

Under Rule 15c3-1 of the Securities Exchange Act of 1934 (the "Rule"), the Company is required to maintain a minimum net capital amount. The Company elected to use the alternative method, permitted by the Rule, which requires that the Company maintain minimum net capital, as defined, equal to the greater of \$250,000 or two percent of aggregate debit balances. As of December 31, 2018, the Company had net capital of approximately \$8,047,000 which was approximately \$7,797,000 in excess of the amount required.

The Company claims exemption from SEC Rule 15c3-3 under paragraph (k)(2)(i) and (k)(2)(ii) of the Rule.

### **9. Commitments and Contingencies**

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties and which provide 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. However, based on experience, the Company expects any risk of loss to be remote.

#### **Litigation and Regulatory Matters**

The Company is involved in various claims and lawsuits arising in the normal conduct of its business. On May 8, 2018, AGHI directly acquired Advisor Group and indirectly acquired Advisor Group's interests in certain subsidiaries and affiliates of Advisor Group from American General Life Insurance Company, a subsidiary of American International Group, Inc. (collectively, the "Former Parent"). In connection with this acquisition, the Former Parent has agreed to indemnify the Company along with the other subsidiaries and affiliates of Advisor Group for certain litigation matters existing prior to May 8, 2018, subject to certain limitations and sharing thresholds. The Company also maintains Errors and Omissions insurance for certain claims and lawsuits. Amounts not covered by indemnification or insurance, including amounts less than the applicable deductible under insurance coverage will be paid directly by the Company. As of December 31, 2018, the Company accrued approximately \$110,000 for uninsured and insured legal and regulatory matters and regulatory matters and approximately \$280,000 for matters indemnified by the Former Parent. These liabilities are included in Accounts payable and accrued expenses in the Statement of Financial Condition.

#### **Indemnifications**

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The Company also indemnifies some customers against potential losses incurred in the event specified third-party service providers, including sub-custodians and third-party brokers, improperly execute transactions. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statement for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally agrees to indemnify them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event that additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications

# **SagePoint Financial, Inc.**

(An indirect wholly-owned subsidiary of Advisor Group Holdings, Inc.)

## **Notes to the Financial Statement**

**December 31, 2018**

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cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statement for these indemnifications.

### **Clearing Broker-dealers**

In the normal course of business, the Company's customer activities involve the execution, settlement and financing of various customer securities transactions. The Company uses unaffiliated clearing broker-dealers to execute certain customer transactions. Such transactions may expose the Company and the clearing broker-dealers to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses which customers may incur. In the event that customers fail to satisfy their obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customers' obligations. The Company does not expect nonperformance by customers. There is no maximum risk of loss under such arrangement. Based on experience, the Company does not believe any potential losses will be material.

### **Leases**

The parent entity, Advisor Group Inc., entered into lease agreements which support the subsidiaries owned by Advisor Group including the Company and the related costs are allocated to the subsidiaries based on each entity's relative portion of total commission revenue and investment advisory revenue.

## **10. Subsequent Events**

Management of the Company has performed an evaluation of subsequent events through February 28, 2019, which is the date the financial statement was available to be issued.