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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
8- 67023

FACING PAGE

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 01/01/20 AND ENDING 12/31/20  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: SAMCO Capital Markets, Inc.

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

OFFICIAL USE ONLY
FIRM I.D. NO.

6805 N. Capital of Texas Highway, Suite 350

(No. and Street) Austin TX 78731  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Joseph R. Mannes, 214-765-1466

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

BKD, LLP

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

14241 Dallas Parkway, Suite 1100 Dallas TX 75254  
(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)

SEC 1410 (11-05)

Potential 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, Joseph R. Mannes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SAMCO Capital Markets, Inc., as of December 31, 20 21, 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:



Signature

President

Title

Notary Public

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

- ☒ (a) Facing Page.
- ☒ (b) 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 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).**

**SAMCO CAPITAL MARKETS, INC.**

STATEMENT OF FINANCIAL CONDITION  
AND

REPORT of INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

DECEMBER 31, 2020

**SAMCO CAPITAL MARKETS, INC.**

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## Report of Independent Registered Public Accounting Firm

Stockholder and Board of Directors  
SAMCO Capital Markets, Inc.  
Dallas, Texas

### *Opinion on the Financial Statement*

We have audited the accompanying statement of financial condition of SAMCO Capital Markets, Inc. (the Company) as of December 31, 2020, including 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, 2020, in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

*BKD, LLP*

We have served as the Company's auditor since 2020.

Dallas, Texas  
March 26, 2021

# SAMCO CAPITAL MARKETS, INC.

## STATEMENT OF FINANCIAL CONDITION

December 31, 2020

### ASSETS

Cash	\$ 455,481
Receivables from clearing broker, including clearing deposit of \$105,579	16,633,452
Securities owned, at fair value	9,291,611
Note receivable	220,000
Property and equipment, net	82,521
Right-of-use asset	1,028,201
Other assets	1,854,613
	<u>\$ 29,565,879</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$ 2,481,614
Lease liability	1,059,378
Securities sold short, at fair value	1,640,817
Loan, Paycheck Protection Program	1,354,500
Due to clearing broker	7,704,852
Total liabilities	<u>14,241,161</u>

#### Commitments and contingencies

-

#### Stockholder's equity

Common stock, \$.01 par value, 1,000 shares authorized, issued, and outstanding	10
Additional paid-in capital	7,817,357
Retained earnings	<u>7,507,351</u>
Total stockholder's equity	<u>15,324,718</u>

\$ 29,565,879

See accompanying notes to the financial statement.

# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. Nature of business and summary of significant accounting policies

#### *Nature of Business*

SAMCO Capital Markets, Inc. (the "Company") is a corporation organized under the laws of the state of Texas on May 9, 2005. The Company's operations consist primarily of engaging in principal and agency transactions, municipal underwriting, financial advisory, and providing investment banking services.

The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

The Company introduces its customers on a fully-disclosed basis and clears all transactions through Pershing, LLC ("Pershing"). Accordingly, the Company operates under the exemptive provisions of the SEC Rule 15c3-3(k) (2) (ii) and the "non-covered firm" provision under Footnote 74 of SEC Release No. 34-70073.

#### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Debt Securities*

Debt securities held by the Company generally are classified as trading, which are securities bought and held principally for the purposes of selling in the near term and, therefore, are held only for a short period of time. Trading securities are recorded at fair value with changes in fair value recorded in earnings. Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method. Unrealized gains and losses are reflected in trading gains (losses).

#### *Valuation of Investments in Securities and Securities at Fair Value - Definition and Hierarchy*

In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Company uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:



# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. Nature of business and summary of significant accounting policies (continued)

*Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

*Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

*Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

#### *Valuation of Investments in Securities and Securities at Fair Value - Definition and Hierarchy (continued)*

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. 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. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

#### *Fair Value - Valuation Techniques and Inputs*

##### Investments in Securities and Securities Sold Short

The Company values securities owned and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. The Company's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "ask" price if sold short.



# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. Nature of business and summary of significant accounting policies (continued)

#### *Fair Value - Valuation Techniques and Inputs (continued)*

##### Government Bonds

The fair value of government bonds is generally based on quoted price quotations. Valuation adjustments are not applied. Government bonds are generally categorized in Level 1 of the fair value hierarchy.

##### State and Municipal Obligations

The fair value of municipal bonds is estimated using trades, bid price or spread, two-sided markets, quotes, benchmark curves, market data feeds such as from the municipal securities rulemaking board, new issues, financial statements and trustee reports and is obtained from observed transactions or independent third parties such as vendor or clearing brokers. Municipal bonds are generally categorized in Level 2 of the fair value hierarchy.

##### Corporate Bonds

The fair value of corporate bonds is estimated on the basis of quotes provided by third-party pricing vendors and utilizes valuation inputs from actively traded securities, such as bid prices, bid spreads to Treasury securities, Treasury curves and same or comparable issuer curves and spreads. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

##### *Accounts Receivable*

Accounts receivable are presented based on the Company's assessment of collectability. The Company regularly reviews its accounts receivable for collectability and has determined that an allowance for doubtful accounts is not necessary.

##### *Note Receivable*

We entered into a note receivable as a result of advisory services performed. The interest rate is at 7% with interest calculated on the outstanding principal balance as of the first day of each month and payable monthly. The principal balance with any accrued and unpaid interest is due and payable on December 31, 2021. The note receivable is reported at its outstanding principal balance. At this time, the note is performing per its stated terms.

##### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization as follows:

<b>Assets</b>	<b>Useful Life</b>
Furniture and fixtures	5 years
Office and other equipment	3 years
Computer hardware	3 years
Computer software	3 years
Leasehold improvements	lesser of useful life or lease term

# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. Nature of business and summary of significant accounting policies (continued)

#### *Income Taxes*

The Company uses the asset and liability method of accounting for income taxes. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the differences between the book and tax basis of various assets and liabilities. The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is "more likely than not" that all or a portion of the deferred tax assets will not be realized. "More likely than not" is defined as a greater than a 50% chance. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test no tax benefit is recorded. Based upon our analysis of available evidence, we have determined that no valuation allowance was necessary

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires the Company's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

#### *Receivables from Clearing Broker*

Receivables from clearing broker primarily consist of commissions and underwriting transaction related receivables. The Company monitors clearance and settlement of all transactions on a daily basis. The allowance for doubtful accounts, if any, is the Company's best estimate of the amount of probable incurred losses.

#### *Leases*

Lessees are required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of a specified asset for the lease term. The Company enters into leases in the normal course of business primarily for real estate for its local offices housing sales, underwriting, trading and financial advisory business, along with back office operations. SAMCO's leases have terms up to five years and some include renewal or termination options to extend the lease for up to five years.

The company includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Company will exercise the option. In addition, the Company has elected to account for any non-lease components in its real estate leases as part of the associated lease component. The Company has also elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on the Company's Statement of Financial Condition.

Leases are classified as operating or finance leases at the lease commencement date. All of our leases were determined to be operating leases. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 1. Nature of business and summary of significant accounting policies (continued)

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The Company's incremental borrowing rate is based on consideration of the current rates available to the Company from its bank and clearing broker borrowings, adjusted for the lease term and other factors.

### 2. Fair value measurements

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Company's significant accounting policies in Note 1.

The following table presents information about the Company's assets measured at fair value on a recurring basis as of December 31, 2020:

Assets (at fair Value)	Quoted Prices in Active Markets for Identical Assets (Level I)		Significant Other Observable Inputs (Level II)		Significant Unobservable Inputs (Level III)		Balance as of December 31, 2020
<b>Securities owned, at fair value</b>							
State and municipal obligations	\$	-	\$	9,291,611	\$	-	\$ 9,291,611
Total assets (at fair value)	\$	-	\$	9,291,611	\$	-	\$ 9,291,611

The unrealized gain from state and municipal obligations was \$37,052 at December 31, 2020.

The following table presents information about the Company's liabilities measured at fair value on a recurring basis as of December 31, 2020:

Liabilities (at fair value)	Quoted Prices in Active Markets for Identical Assets (Level I)		Significant Other Observable Inputs (Level II)		Significant Unobservable Inputs (Level III)		Balance as of December 31, 2020
<b>Securities sold short, at fair value</b>							
U.S. government obligations	\$	1,639,792	\$	-	\$	-	\$ 1,639,792
U.S. corporate bonds		-		1,025		-	1,025
Total Liabilities (at fair value)	\$	1,639,792	\$	1,025	\$	-	\$ 1,640,817

The unrealized loss for U.S. government obligations was \$91,450 and the unrealized gain for U.S. corporate bonds was \$340 at December 31, 2020.

# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 3. Property and equipment

Details of property and equipment at December 31, 2020 are as follows:

Office equipment	\$ 257,925
Leasehold improvements	558,488
Furniture and fixtures	161,442
Computer hardware	398,988
Computer software	25,230
	<u>1,402,073</u>
Less: Accumulated depreciation and amortization	<u>(1,319,552)</u>
Property and equipment, net	<u>\$ 82,521</u>

### 4. Net capital requirement

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2020, the Company's net capital was \$14,116,040, which was \$13,858,220 in excess of its minimum requirement of \$257,820. The Company's ratio of aggregate indebtedness to net capital was .27 to 1.

### 5. Income taxes

The Company is included in the consolidated federal income tax return and combined Texas franchise tax report filed by its parent, SAMCO Holdings, Inc. ("SHI"). The Company's operations are conducted in the states of Texas, California and Kansas. Income tax returns are subject to review by state and federal authorities for up to four years of filings.

Deferred income taxes reflect the net tax effects of temporary differences between the recorded amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2020, were as follows:

Deferred Tax Assets (Liabilities)	
Pass through	\$ 20,800
Fixed assets	(14,000)
Prepaid expenses	(25,200)
Section 481(a) adjustment	<u>(14,200)</u>
Net deferred tax liability	<u>\$ (32,600)</u>

# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 6. Defined contribution 401(k) Plan

The Company maintains a retirement plan (the "Plan"), pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code. The Company may make a contribution to employee accounts at the discretion of the Board of Directors.

### 7. Off-balance sheet risk

Pursuant to clearance agreements, the Company introduces all of its securities transactions to a clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreements, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts. As of December 31, 2020, there were no amounts to be indemnified to the clearing broker for these accounts.

In addition, the receivables from the clearing broker are pursuant to these clearance agreements and includes a clearing deposit of \$105,579.

### 8. Related party transactions

SAMCO has an agreement with its parent Company, SAMCO Holdings, Inc. to pay its portion of its income taxes. The Company has approximately \$67,000 due to SAMCO Holdings, Inc. at December 31, 2020. This payable represents a federal income tax liability and is included in Accounts Payable in the accompanying statement of financial condition.

### 9. Loan, Paycheck Protection Program

The Company received a loan from Frost Bank in the amount of \$1,354,500 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 22, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Company will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest beginning 10 months after the end of the Company's covered period, which was 24 weeks. The loan may be repaid at any time with no prepayment penalty.

### 10. Due to clearing broker

The amount due to clearing broker is due on demand and is collateralized by all Company-owned securities held by, or deposited with, the clearing broker, Pershing, LLC. Interest is charged at the clearing broker's call rate.



# SAMCO CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020

### 11. Concentrations of credit 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 has to purchase or sell the financial instrument underlying the contract at a loss.

The Company maintains its cash balances in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2020, the Company did have cash in excess of \$445,777 of insured amounts.

### 12. Leases

#### Lease Obligations

Future undiscounted lease payments for operating leases with initial term lease of one year or more as of December 31, 2020 are as follows:

2021	\$ 470,627
2022	411,854
2023	134,896
2024	101,448
2025	-
Total Future Minimum Lease Payments (Undiscounted)	<u>1,118,825</u>
Discounting effect on cash flows	<u>(59,447)</u>
Lease Liability	<u>\$ 1,059,378</u>

Other information related to operating leases as of December 31, 2020 was as follows:

Weighted average remaining lease term	32 months
Weighted average discount rate	4.0%