

**HOLD BROTHERS CAPITAL, LLC**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2020**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Members of Hold Brothers Capital, LLC:

**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Hold Brothers Capital, LLC (the “Company”), as of December 31, 2020, and the related notes to the financial statements, collectively referred to as the financial statements. In our opinion, the financial statements referred to above present 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**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements 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 statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company’s auditor since 2019.

New York, New York  
February 28, 2021

**HOLD BROTHERS CAPITAL, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2020**

**ASSETS**

Cash and cash equivalents	\$ 6,593,454
Segregated cash	150,101
Deposits with clearing organizations	470,000
Securities owned, at fair value	282,096
Receivable from broker-dealers and clearing organizations	804,324
Receivable from related parties	1,527,090
Other assets	<u>1,068,305</u>

**TOTAL ASSETS** **\$ 10,895,370**

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Payable to related parties	\$ 1,748,735
Payable to customers	97,508
Accounts payable	608,380
Accrued expenses and other liabilities	<u>1,767,827</u>

**TOTAL LIABILITIES** 4,222,450

**MEMBERS' EQUITY**

Class A voting, members' units	354,369
Class B nonvoting, members' units	4,564,318
Class F nonvoting, members' units	<u>1,754,233</u>

**TOTAL MEMBERS' EQUITY** **6,672,920**

**TOTAL LIABILITIES AND MEMBERS' EQUITY** **\$ 10,895,370**

See notes to financials

**HOLD BROTHERS CAPITAL, LLC**  
**Notes to Financial Statements**  
**DECEMBER 31, 2020**

**NOTE A – ORGANIZATION**

**Nature of business**

Hold Brothers Capital, LLC (the “Company”) was organized in 2009 in the State of New Jersey as a limited liability company. The Company is a registered broker-dealer with the Securities and Exchange Commission (the “SEC”) and is a FINRA member.

The Company engages in the trading of equity securities. The Company provided these services through its home office in New York, New York.

Starting May 2012, the company became self-clearing and has a direct clearing relationship with National Securities Clearing Corporation (the “NSCC”)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents:**

Cash and cash equivalents include cash and money market accounts.

**Cash and Securities Segregated for the Benefit of Customers:**

Cash and securities segregated for the benefit of customers consist of cash and cash equivalents segregated in a special reserve bank accounts for the exclusive benefit of customers and proprietary accounts of broker dealers under Rule 15c3-3 of the Securities and Exchange Act.

**Securities transactions:**

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis.

Financial instruments are recorded at fair value in accordance with FASB ASC 820.

**Payables to Customers:**

Payables to customers include amounts on securities transactions and due or held in cash accounts.

**Income taxes:**

The Company is organized as a limited liability company and is taxed as a partnership for income tax purposes. Accordingly, the Company is not subject to federal and state income taxes and makes no provision for income taxes in its financial statements. The Company's taxable income or loss is reportable by its members.

The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in its financial statements.

Taxable years ended December 31, 2016, through current are subject to IRS and other jurisdictions tax examinations.

**HOLD BROTHERS CAPITAL, LLC**  
**Notes to Financial Statements**  
**DECEMBER 31, 2020**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates:**

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

**Date of management's review:**

Management has evaluated events through February 28, 2021, the date on which the financial statements were available to be issued.

**Recently adopted accounting pronouncement:**

**NOTE C – FAIR VALUE**

**Fair Value Measurement**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. 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 FASB ASC 820, are used to measure fair value.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.

**HOLD BROTHERS CAPITAL, LLC**  
**Notes to Financial Statements**  
**DECEMBER 31, 2020**

**NOTE C – FAIR VALUE (continued)**

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020.

Fair Value Measurements on a Recurring Basis As of DECEMBER 31, 2020					
	Level 1	Level 2	Level 3	Netting and Collateral	Total
<b>ASSETS</b>					
Securities owned	\$ 200,595	\$ 81,501	\$ -	\$ -	\$ 282,096
<b>LIABILITIES</b>					
Securities sold, not yet purchased	\$ -	\$ -	\$ -	\$ -	\$ -

During 2020, there were no transfers between levels.

**NOTE D – RELATED PARTY TRANSACTIONS**

All related parties are controlled by the class A member of Hold Brothers Capital LLC.

Hold Brothers, Inc., Trenchant Fund USA, LLC, Sodalite Financial Services, LLC, Holdsoftware.com, Inc., Trenchant Capital, LLC, Vaticine Limited and Tafferer Trading, LLC, all related companies of the Company, are parties to an expense sharing agreement wherein the parties agree to reasonably allocate expenses and liabilities of commonly used resources consisting of rent and occupancy, information services, communications, consulting, insurance and other miscellaneous fees.

Pursuant to this agreement:

The Company owed Hold Brothers, Inc., \$6,579 for employee benefits it provides to the Company's employees and certain Class B members. Included in payable to related parties is \$10,869 related to these transactions.

The Company owed Trenchant Funds USA, a related party, \$867,000 for services it provides to the Company. Included in receivables from related parties is \$337,793 related to these transactions.

The Company owed Trenchant Capital LLC, USA, a related party, \$116,000 for services it provides to the Company. Included in payable to related parties is \$3,109 related to these transactions.

The Company owed Hold Technologies, LLC, a related party, \$548,000 for services it provides to the Company. Included in payable to related parties is 76,925 related to these transactions.

The Company owed Tafferer Trading, LLC \$35,000 for certain costs it incurred on behalf of the Company. These costs included rent, information services, communications, and other miscellaneous fees. Included in receivable from related parties is \$297,297 related to these transactions.

**NOTE D – RELATED PARTY TRANSACTIONS (continued)**

The Company received \$706,431 from Vaticine Limited, a related party included in affiliate services agreement, for certain services provided to Vaticine Limited. The Company is yet to receive \$882,000 from Vaticine Limited, a related party included in affiliate services agreement, as a party of Commission Sharing Agreement with Electronic Transaction Clearing, Inc. Included in receivable from related parties is \$892,000 related to these transactions.

Hold Brothers Capital, LLC entered into a license agreement with Holdsoftware.com, in 2013, for the use of Holdsoftware.com's programs and user manuals. The Company incurred \$3,456,808 to Holdsoftware.com, Inc., for providing certain software utilized by the Company. Included in receivable from related parties is \$1,657,832 related to these transactions. The Company is the common paymaster for Holdsoftware.com.

Also included in accrued expenses and other liabilities at December 31, 2020 is \$402,954 payable to certain Class B members.

**NOTE E – MEMBERS' EQUITY**

The Class A member units are voting.

The Class B members' units are nonvoting. Each Class B member is allocated the net income or loss from their trading activities.

**NOTE F – MARKET AND CREDIT RISK**

The Company enters into various transactions to conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

At December 31, 2020, cash and cash equivalents were held on deposit at diversified U.S. financial institutions. The Company had approximately \$6,343,454 in excess of FDIC insured limits.

**NOTE G – NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined and requires that the ratio of aggregate indebtedness, as defined, to net capital, shall not exceed 15 to 1.

At December 31, 2020, the Company had net capital of \$5,028,190, which was \$4,778,190 in excess of its required net capital of \$250,000. The Company ratio of aggregate indebtedness to net capital was .60 to 1.

Capital withdrawals are subject to certain notification and other provisions of the net capital rules of the SEC.

**HOLD BROTHERS CAPITAL, LLC**  
**Notes to Financial Statements**  
**DECEMBER 31, 2020**

**NOTE H – COMMITMENTS AND CONTINGENCIES**

In the normal course of business, from time to time, the Company is subject to proceedings and investigations by self-regulatory organizations. While the outcome of such matters cannot be predicted with certainty, in the opinion of management of the Company, after consultation with counsel handling such matters, these actions will be resolved with no material adverse effect on the Company's financial statements, taken as a whole.

**NOTE I – FINANCIAL INSTRUMENTS**

**Fair Value of Financial Instruments**

FASB ASC Topic 825, Financial Instruments, requires disclosure of the fair value of certain financial instruments. Cash and cash equivalents, deposits, accounts receivable, accounts payable and accrued expenses are reflected in the financial statements at carrying value, which approximates fair value because of the short-term maturity of these instruments.

**NOTE J – GUARANTEES**

**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. 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 statements for these indemnifications.

**NOTE K – REVENUE**

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring promised goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised goods or service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services.