

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

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PART III

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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 1/1/21 AND ENDING 12/31/21
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Netrex Capital Markets, 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.)

270 South Service Road, Suite 45

(No. and Street)

Melville

NY

11747

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Brent Hippert

443-541-8400

bhippert@netrexcapital.com

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Mayer Hoffman McCann CPAs

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

5 Bryant Park

New York

NY

10018

(Address)

(City)

(State)

(Zip Code)

10/22/2003

199

(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, Brent Hippert, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Netrex Capital Markets, LLC, as of December 31, 2021, 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.

KATHLEEN MCNEAL SHEELER
Notary Public
Baltimore County
Maryland
My Commission Expires Oct. 06, 2021

Signature: 

Title:
CFO

Kathleen McNeal Sheeler
Notary Public

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.

Netrex Capital Markets, LLC

Melville, New York

FINANCIAL STATEMENTS

December 31, 2021

Netrex Capital Markets, LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of
Netrex Capital Markets, LLC

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Netrex Capital Markets, LLC (the “Company”) as of December 31, 2021, the related statements of income, changes in members’ equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended, 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.



Supplemental Information

The computation of net capital, computation for determination of reserve requirements and information relating to the possession or control requirements (together “supplemental information”) has been subjected to audit procedures performed in conjunction with the audit of the Company’s financial statements. The supplemental information is the responsibility of the Company’s management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Mayer Hoffman McCann CPAs". The signature is written in a cursive, flowing style.

We have served as the Company’s auditors since 2018.

New York, New York
March 31, 2022

Netrex Capital Markets, LLC

STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2021

ASSETS

Cash	\$	3,221,526
Accounts Receivable		185,000
Prepaid Expenses		19,280
Total Assets	\$	<u>3,425,806</u>

LIABILITIES AND MEMBERS' EQUITY

Accounts payable and accrued expenses (Note 4)	\$	32,637
Total Liabilities		<u>32,637</u>

MEMBERS' EQUITY

		3,393,169
Total Liabilities and members' equity	\$	<u>3,425,806</u>

The accompanying notes are an integral part of these financial statements

Netrex Capital Markets, LLC

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2021

REVENUE

Advisory fee revenue	\$ 8,803,429
Underwriting revenue	124,506
TOTAL REVENUE	<u>8,927,935</u>

OPERATING EXPENSES:

Compensation and benefits	3,291,705
Marketing and T&E	407,067
Advertising	98,266
Service agreement expense (Note 4)	19,212
Regulatory fees	19,412
Professional fees	34,275
Other operating expenses	<u>180,966</u>
Total expenses	<u>4,050,903</u>

Income From Operations	<u>4,877,032</u>
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Other Income PPP Loan Forgiveness	<u>182,813</u>
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NET INCOME	<u>\$ 5,059,845</u>
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The accompanying notes are an integral part of these financial statements

Netrex Capital Markets, LLC

STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2021

MEMBER'S EQUITY, JANUARY 1, 2021	\$	527,894
Net income		5,059,845
Member's contribution		130,000
Members' distributions		<u>(2,324,570)</u>
MEMBERS' EQUITY, DECEMBER 31, 2021	\$	<u>3,393,169</u>

The accompanying notes are an integral part of these financial statements

Netrex Capital Markets, LLC

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

OPERATING ACTIVITIES:

Net income	\$	5,059,845
Adjustments to reconcile net income to net cash provided by operating activities:		
PPP Loan Forgiveness		(182,813)
Accounts receivable		(135,000)
Accounts payable and accrued expenses		(5,952)
Prepaid expenses		(14,434)
Deferred revenue		(50,000)
		<hr/>
Net cash provided by operating activities		4,671,646

FINANCING ACTIVITIES

PPP Loan		182,813
Member's contribution		130,000
Members' distributions		(2,324,570)
		<hr/>
Net cash used by financing activities		(2,011,757)

NET INCREASE IN CASH 2,659,889

CASH AT BEGINNING OF YEAR 561,637

CASH AT END OF YEAR \$ 3,221,526

The accompanying notes are an integral part of these financial statements

Netrex Capital Markets, LLC

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Business

Netrex Capital Markets, LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The Company is a Florida corporation formed on March 7, 2011 and is majority owned by Netrex Capital Markets Holdings, LLC (the "Parent"). The Company began operations on October 9, 2012, as Cadena Securities Services, LLC. In September 2018, the Company was acquired by Netrex Capital Markets Holdings, LLC and changed the name to Netrex Capital Markets, LLC. Effective January 1, 2021 the majority owner has a preferred position until having received the full return of its Preferred Capital of \$1,900,000 plus an aggregate amount sufficient to receive a compounded annual return thereon of 4%.

The Company principally provides public and private companies advice regarding capital raising. The Company anticipates advising primarily on new debt financings however, it also advises private companies involved in merger and acquisition activity as to which investment banking firms they should engage. The Company does not maintain any customer accounts, handle customer funds, or securities, and is not involved in any trading activities.

Note 2 Summary of Significant Accounting Policies

Basis of Presentation

The Company prepares financial statements in accordance with Generally Accepted Accounting Principles in the United States.

Cash and Cash Equivalents

The Company considers all highly liquid investments, with original maturities of less than ninety days that are not held for sale in the ordinary course of business as cash and cash equivalents. Cash and cash equivalents held at financial institutions, at times, may exceed the amount insured by the Federal Deposit Insurance Corporation

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 606 *Revenue from Contracts with Customers*.

Revenue is measured based on a consideration specified in a contract with a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control over goods or service to a customer. The Company's revenues within the scope of ASC 606 include fees from investment banking and merger and acquisition advisory services.

The Company may provide advisory services/corporate finance activity including mergers and acquisitions, reorganizations, tender offers, leveraged buyouts, fundraising activity and the pricing of securities to be issued. The Company's contracts generally have a duration of one year or less.

The Company has participated as an underwriter in bond transactions as a co-underwriter with a large investment bank. Revenue is recognized upon closing of the underwriting.

The Company's agreements contain nonrefundable retainer fees and / or success fees, which may be fixed or represent a percentage of value that the customer receives if and when the corporate finance activity is completed ("success fees"). In some cases, there is also an "base service fees" that is calculated on the date that a service is completed based on the details included in the underlying agreement. The retainer fees, base service fee, or other milestone fees reduce any success fee subsequently invoiced and

Netrex Capital Markets, LLC

NOTES TO FINANCIAL STATEMENTS

received upon the completion of the corporate finance activity. The Company evaluates its nonrefundable retainer payments, to determine if the fee relates to the transfer of a good or service, as a distinct performance obligation, in exchange for the retainer. If a promised good or service is not distinct, the Company combines that good or service with other promised goods or services until it identifies a bundle of goods or services that is distinct. In some cases, that would result in the broker-dealer accounting for all the services promised in a contract as a single performance obligation and the retainer revenue is classified as deferred revenue on the Statement of Financial Condition.

At December 31, 2021 there was \$0 of deferred revenue, 100% of the \$50,000 of deferred revenue from December 31 2020 was recognized during 2021.

All of the Company's revenue for 2021 is recognized at a point in time.

Account Receivable and Allowance for Credit Losses

Accounts receivable are due when invoiced or within 30 days and allowance for credit losses is provided based upon a periodic analysis of individual account balances. At December 31, 2021 the Company determined that no allowance for credit losses was necessary.

Income Taxes

The Company is an LLC and is disregarded for Federal income tax purposes. Accordingly, no provision for income taxes is provided in the financial statements. The company has paid New York State income tax on behalf of its members through a PTET election with New York, which is recorded as distributions for 2021.

The Company is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction and may file income tax returns in various U.S. states.

The Company has no uncertain tax positions at December 31, 2021.

The Company's tax returns are open for examination for the year 2018 and thereafter.

Advertising Costs

Advertising costs are charged to operations during the period in which they are incurred.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the net capital ratio after such withdrawals

Netrex Capital Markets, LLC

NOTES TO FINANCIAL STATEMENTS

or payments would exceed 10 to 1. The Company had net capital of \$3,188,889 and excess capital of \$3,088,889 as of December 31, 2021, and a net capital requirement of \$100,000. The Company's net capital ratio as of December 31, 2021 was .01 to 1

NOTE 4 - Related Party Transactions

The Company is owned by the Members. The Members assume responsibility for all income tax liabilities.

During the year ended December 31, 2021, pursuant to an agreement between the Company and Netrex LLC, an entity in which the chief executive officer has an ownership interest, the Company recorded an administrative services fee expense of \$19,212 to the affiliate. The administrative fee expense covers the administrative services and office space provided to the Company by the affiliate. This amount is included in Services fees on the Statement of Income. The affiliate also provided payroll services, benefits and paid jointly incurred expenses on behalf of the company for which it was reimbursed. The Company incurred \$464,818 of such costs during the year. Included in accounts payable and accrued expenses is \$32,637 payable to the affiliate.

The Company incurred \$316,940 of fees to an entity affiliated with the Company's chief executive officer for promotional activities. At December 31, 2021, there is \$0 due to this entity included in accounts payable and accrued expenses

NOTE 5 – Concentration of Credit Risk and Major Customers

During 2021 one customer accounted 10.1% of the Company's revenue. At December 31, 2021, all of the Company's accounts receivable was due from two customers.

NOTE 6 – PPP Loan

The Company received a \$182,813 Paycheck Protection Program loan under the Federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act") during 2021 and the loan was forgiven during 2021 under the terms of the CARES Act.

NOTE 7 - Subsequent Events

The company evaluated subsequent events through the date that the financial statements were available to be issued.

The Company made member distributions during March of \$2,000,000 after notifying FINRA of the intended distribution as required by SEC regulations.

The Company entered into a 36 month lease for its offices from a related party. The payments for 2022 will be approximately \$41,346 for 2022 and then \$45,104 annually through June 2025. The company also paid approximately \$53,000 for lease hold improvements during 2022.

Netrex Capital Markets, LLC
Schedule I - Computation Of Net Capital Under Rule 15c3-1
Of The Securities And Exchange Commission
December 31, 2021

Member's Equity per Statement of Financial Condition	\$ 3,393,169
Less: Nonallowable assets	204,280
Net capital	\$ 3,188,889
Aggregate indebtedness - items included in financial statements	\$ 32,637
Basic net capital requirement (\$100,000 minimum)	\$ 100,000
Excess net capital	\$ 3,088,889
Net Capital less 120% minimum net capital requirement	3,068,889
Percentage of aggregate indebtedness to net capital	1.0%

There were no differences between the above calculation and the Company's amended calculation of net capital as reflected on the amended unaudited Form X-17a-5 Part IIA

SCHEDULE II

COMPUTATION FOR DETERMINATION OF THE RESERVE REQUIREMENTS UNDER RULE 15c3-3 of the Securities and Exchange Commission

Netrex Capital Markets, LLC is exempt from Rule 15c3-3 under the provision of Rule 15c3-3(k)(2)(i) of the Securities and Exchange Commission

SCHEDULE III

INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3 of the Securities and Exchange Commission

Netrex Capital Markets, LLC is exempt from Rule 15c3-3 of The Securities and Exchange Commission under the provision of Rule 15c3-3(k)(2)(i).



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members of
Netrex Capital Markets, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Netrex Capital Markets, LLC (the "Company") identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: (2)(i) (the "exemption provision") and (2) the Company stated that the Company met the identified exemption provisions throughout the most recent fiscal year ended December 31, 2021 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

Mayer Hoffman McCann CPAs

New York, New York
March 31, 2022



Exemption Report

Netrex Capital Markets, LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k): (2)(i)
- (2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

I, Brent E. Hippert, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

A handwritten signature in blue ink, appearing to read "Brent E. Hippert".

By: Brent E. Hippert
Title: CFO
March 15, 2022