

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

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

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	August 31, 2020
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8-36754

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 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **MARSCO INVESTMENT CORPORATION**

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

**101 Eisenhower Parkway**

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

**Roseland**

**NJ**

**07068**

(City)

(State)

(Zip Code)

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

Mark E. Kadison, CEO

973-228-2886

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Berkower LLC**

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

**517 Route 1 South**

**Iselin**

**NJ**

**08830**

(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, Mark E. Kadison, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MARSCO INVESTMENT CORPORATION, as of December 31st, 20 18, 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

CEO

Title

  
Notary Public

**KIRSTEN H FITZPATRICK**  
NOTARY PUBLIC  
STATE OF NEW JERSEY  
ID # 50038472  
MY COMMISSION EXPIRES MAY 23, 2021

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).**



Marsco Investment Corporation  
*Online Brokerage Services*  
101 Eisenhower Parkway  
Roseland, New Jersey 07068  
  
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Toll Free: 1 (800) 962-7726  
Fax: (973) 228-9762  
[www.marsco.com](http://www.marsco.com)

**PUBLIC**  
**MARSCO INVESTMENT CORPORATION**  
**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2018**

# MARSCO INVESTMENT CORPORATION

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Marsco Investment Corporation

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Marsco Investment Corporation (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

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 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 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 provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2012.



Berkower LLC

Iselin, New Jersey  
February 28, 2019

# MARSCO INVESTMENT CORPORATION

## STATEMENT OF FINANCIAL CONDITION

December 31, 2018

### ASSETS

Cash	\$ 662,497
Cash segregated under federal regulations	22,864,251
Deposits with clearing organization	510,882
Receivables from customers	5,699,334
Office equipment, at cost (net of accumulated depreciation of \$ 40,333)	5,581
Investment in the Depository Trust and Clearing Corporation	197,949
Other assets	<u>2,500</u>
Total assets	<u>\$ 29,942,994</u>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### Liabilities

Payables to:	
Customers	\$ 26,278,891
Broker-dealers	4,782
Bank loan	2,100,000
Accrued expenses and other liabilities	<u>98,366</u>
Total liabilities	<u>28,482,039</u>

#### Stockholders' equity

Common stock, no par value; 2,500 shares authorized, issued and outstanding	24,815
Additional paid-in-capital	800,000
Retained earnings	<u>636,140</u>
Total stockholders' equity	<u>1,460,955</u>
Total liabilities and stockholders' equity	<u>\$ 29,942,994</u>

See accompanying notes to the financial statements.

# MARSCO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### CONFIDENTIAL TREATMENT REQUESTED

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#### 1. Nature of Operations and Summary of Significant Accounting Policies

##### *Nature of Operations*

Marsco Investment Corporation (the "Company") is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Municipal Securities Rulemaking Board ("MSRB"). The Company is a self-clearing broker-dealer and a member of the Depository Trust and Clearing Corporation ("DTCC"). The Company's principal business is that of a discount securities broker, whereby it executes orders on behalf of its customers and provides financing for such transactions.

##### *Basis of Presentation*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification.

##### *Use of Estimates*

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

##### *Concentrations of Credit Risk*

The Company maintains its cash balances in a few large financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from such counterparties.

##### *Securities Transactions/Revenue Recognition*

Effective January 1, 2018, the Company adopted ASC Topic 606, Revenue from Contracts with Customers ("ASC Topic 606"). The new revenue recognition guidance requires that an entity recognize 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. The guidance requires to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company applied the modified retrospective method of adoption which resulted in no adjustment to retained earnings as of January 1, 2018.

The Company buys and sells securities on behalf of its customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer.

Interest income is recorded on an accrual basis. Margin Interest is recognized in accordance with our customer



# MARSCO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### CONFIDENTIAL TREATMENT REQUESTED

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accounts agreements.

#### *Depreciation*

Office equipment is stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives (3-5 years) of the related assets.

#### *Income Taxes*

The Company has elected S corporation status under Section 1362 of the Internal Revenue Code. The Company's income is therefore recognized by the stockholders and taxed on their individual federal income tax returns. Consequently no provision has been made for federal taxes in these financial statements. The Company also elected S corporation status in the State of New Jersey. The provision for income taxes represents the Company's share of the State Corporation Business Tax. The Company files its income tax returns in the U.S. federal and New Jersey state jurisdictions. Generally, the Company is subject to income tax examinations by major taxing authorities during the three-year period prior to the period covered by these financial statements.

The Company's management is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company does not expect that its assessment regarding unrecognized tax benefits will materially change over the next twelve months. However, management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, questioning the timing and amount of deductions, compliance with U.S. Federal, U.S. state and foreign tax laws, and changes in the administrative practices and precedents of the relevant taxing authorities.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the period ended December 31, 2018.

## **2. Receivables and Payables to Customers**

Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for the receivables.

## **3. Office Equipment**

Office equipment consists of the following:

Office equipment	\$ 45,914.
Less: accumulated depreciation	(40,333)
	<u>\$ 5,581</u>

Depreciation expense for the year ended December 31, 2018 was \$1,200.



# MARSCO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### CONFIDENTIAL TREATMENT REQUESTED

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#### 4. Bank Loan

The Company has a credit line of \$6,000,000 under a brokerage credit agreement of which \$3,900,000 was available at December 31, 2018. Borrowing under the credit line incurs interest, payable monthly at a floating rate that is geared toward prime. The available line of credit is subject to renewal on May 31, 2019. Borrowings are due on demand and secured by customer securities pledged by the Company. The outstanding balance of \$2,100,000 as of December 31, 2018 is collateralized by customer pledged securities of approximately \$5,539,000. During January 2019, there was no net change on the loan balance. Interest expense incurred on the loan during 2018 was \$105,000.

#### 5. Financial Instruments with Credit Risk and Other Off-Balance-Sheet Risk

In the normal course of business, the Company executes, as agent, securities transactions on behalf of its customers. If either the customer or a counterparty fails to perform, the Company may be required to discharge the obligations of the nonperforming party. In such circumstances, the Company may sustain a loss if the market value of the security is different from the contract value of the transaction.

In the normal course of business, the Company may pledge or deliver customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event that the counterparty is unable to meet its contracted obligation and return customer securities pledged as collateral, the Company may be obligated to purchase the security in order to return it to the owner. In such circumstances, the Company may incur a loss up to the amount by which the market value of the security exceeds the value of the loan or other collateral received or in the possession and control of the Company.

The Company has a nationwide retail customer base. The Company conducts business with brokers and dealers, clearing organizations and depositories that are primarily located in the New York area. The majority of the Company's transactions and, consequently, the concentration of its credit exposures, are with customers, broker-dealers and other financial institutions in the United States of America. These transactions result in credit exposure in the event that the counterparty fails to fulfill its contractual obligations.

The Company monitors required margin and collateral levels daily in compliance with regulatory and internal guidelines and controls its risk exposure on a daily basis through financial, credit and legal reporting systems. Pursuant to such guidelines, the Company may require customers to deposit additional cash or collateral, or to reduce positions, when deemed necessary. Accordingly, management believes that it has effective procedures for evaluating and limiting the credit and market risks to which it is subjected.

The Company may be exposed to off-balance sheet risk from the potential inability of customers or other counterparties to meet the terms of their contracts in connection with the clearance and settlement of securities. With respect to these activities the Company may be obligated to purchase the identical securities in the open market at prevailing prices in the event of non-performance by the customer or counterparty. At December 31, 2018, the fair value of securities failed to receive was \$4,782, which is included in Payables to Broker-dealers in the statement of financial condition.

#### 6. Related Party Transactions

The stockholders of the Company maintain a customer account amounting to \$57,000 which is included as a component of receivables from customers on the accompanying statement of financial condition.

Interest income received from such customer account was approximately \$2,500 for the year ended December 31, 2018 and is included in interest income in the accompanying statement of operations.

# MARSCO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

### CONFIDENTIAL TREATMENT REQUESTED

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#### 7. Commitments

The Company leases its office facilities under an agreement that expires on December 31, 2019. The lease contains provisions for escalations based on increases in certain costs incurred by the lessor.

Future minimum lease payments are as follows for year ended:

December 2019	\$ 53,287
	<u>\$ 53,287</u>

Rent and occupancy costs were \$53,730 for the year ended December 31, 2018.

Effective January 2013, the Company in the normal course of business entered into a non-cancellable service contract that expires January 2023.

Future minimum payments are as follows for year ended December 31, 2018:

Years 1-4 (\$120,000 per year)	<u>\$ 480,000</u>
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In connection with new FASB standard 842 regarding leases, which takes effect as of the first day of the fiscal year after 12/15/19, management has evaluated the financial impact the standards will have on the Company's financial statements using a modified retrospective approach. As of January 1, 2019, the Company does not maintain any leases in excess of a one year term. As such, the Company does not have an obligation to record a right to use asset or an offsetting lease obligation. There will be no impact to the Company's net capital.

#### 8. Regulatory Requirements

The Company, as a registered broker-dealer, is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (SEC Rule 15c3-1). Under this rule the Company has elected to operate under the "alternate method" whereby the Company is required to maintain minimum "net capital" of \$250,000 or 2% of "aggregate debit items" arising from customer transactions whichever is greater, as these terms are defined. At December 31, 2018, the Company had net capital of \$1,254,925, which was \$1,004,925 in excess of its required net capital of \$250,000. The Company's ratio of aggregate debit balances to net capital was 4.72 to 1.

The Company is subject to Rule 15c3-3 of the SEC which requires segregation of funds in a special reserve account for the exclusive benefit of customers (Rule 15c3-3). At December 31, 2018, the Company had segregated cash of \$22,864,251 under Rule 15c3-3. On January 2, 2019, \$100,000 was withdrawn from the special reserve account to comply with its December 31, 2018 requirements. On January 2, 2019, the Company had \$22,764,251 in the special reserve account which was \$129,709 in excess of the deposit requirement of \$22,634,542 to satisfy the December 31, 2018 Rule 15c3-3 deposit requirement.

# MARSCO INVESTMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

CONFIDENTIAL TREATMENT REQUESTED

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### 9. Contingencies and Other Matters

In the normal course of business activities, the Company is subject to regulatory examinations, other inquiries and other various legal actions. These matters could result in censures, fines, sanctions and legal settlements. As of the date that these financial statements were available to be issued, the Company is not aware of any such matters the outcome of which would be material and would have an adverse effect on its financial position or results of operations.

### 10. Subsequent Events

The Company has evaluated subsequent events for potential recognition and disclosure through the date that these financial statements were issued, and has not identified any subsequent events that required adjustment or disclosure.