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

SEC FILE NUMBER
8-69753

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: EXCHANGERIGHT SECURITIES, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1055 E. Colorado Blvd., Suite 310

(No. and Street)

Pasadena

CA

91106

(City)

(State)

(Zip Code)

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

Joshua Ungerecht 628-664-1031

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Brian W. Anson, CPA

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

18401 Burbank Blvd #120

Tarzana

CA

91356

(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**

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\*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 (06-02)

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Washington, DC

RMS

OATH OR AFFIRMATION

I, Warren Thomas, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ExchangeRight Securities LLC, 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:

*see attached*

*W. Thomas*  
Signature  
*managing member*  
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).

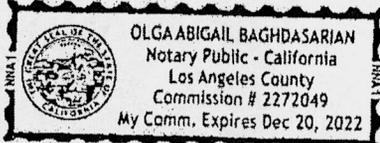
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A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this 13<sup>th</sup>  
day of February, 2019, by Warren Thomas

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature

A handwritten signature in black ink, appearing to read "O. Baghdasarian", written over a horizontal line.

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Washington, DC

# EXCHANGERIGHT SECURITIES LLC

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**BRIAN W. ANSON**

*Certified Public Accountant*

18401 Burbank Blvd., Suite 120, Tarzana, CA 91356 • Tel. (818) 636-5660 • Fax (818) 401-8818

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholder's and Board of Members of ExchangeRight Securities, LLC

**Opinion on the Financial Statements**

I have audited the accompanying statement of financial condition of ExchangeRight Securities, LLC as of December 31, 2018, the related statements of income, changes in members' equity, and cash flows for the fifteen months then ended, and the related notes (collectively referred to as the financial statements). In my opinion, the financial statements present fairly, in all material respects, the financial position of ExchangeRight Securities, LLC as of December 31, 2018, 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.

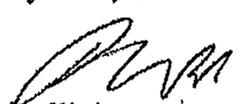
**Basis for Opinion**

These financial statements are the responsibility of ExchangeRight Securities, LLC's management. My responsibility is to express an opinion on ExchangeRight Securities, LLC's financial statements based on my audit. I am a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and am required to be independent with respect to ExchangeRight Securities, LLC in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

I conducted my audit in accordance with the standards of the PCAOB. Those standards require that I 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. My 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. My audit also included evaluating the accounting principles used and significant estimates made by management, as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinion.

**Supplemental Information**

The information contained in Schedule I, II, and III ("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. My 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 my opinion on the Supplemental Information, I evaluated whether the Supplemental Information, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In my opinion, Schedules I, II, and III are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

  
Brian W. Anson

Certified Public Accountant

I have served as ExchangeRight Securities, LLC's auditor since 2018.

Tarzana, California

February 7, 2019

# EXCHANGERIGHT SECURITIES, LLC

## Statement of Financial Condition December 31, 2018

### ASSETS

Cash	\$ 120,329
Broker/Dealer Fees Receivable	30,770
Other Assets	<u>3,137</u>
Total Assets	<u>154,236</u>

### LIABILITIES AND MEMBERS' EQUITY

#### LIABILITIES

Commissions Payable	5,025
Income Taxes Payable	2,500
Due To Related Party	11,764
Accounts Payable and Accrued Expenses	<u>3,258</u>
Total Liabilities	<u>22,547</u>

#### MEMBERS' EQUITY:

Members' Equity	<u>131,689</u>
Total Members' Equity	<u>131,689</u>
Total Liabilities and Members' Equity	<u>\$ 154,236</u>

The accompanying notes are an integral part of these financial statements.

# EXCHANGERIGHT SECURITIES, LLC

## Statement of Income For the 15 Months Ended December 31, 2018

### REVENUES:

Reallowance Fees	\$	551,558
Wholesale Supervision Fees		204,881
Due Diligence/Marketing Fees		80,006
Other Income		<u>7,745</u>
Total income		<u>844,190</u>

### EXPENSES:

Commissions Expense		156,331
Regulatory and Compliance Expenses		27,614
Payroll expenses		35,534
Professional Fees		28,309
Rent expense		18,578
Insurance expense		1,255
Other Expenses		<u>22,119</u>
Total expenses		<u>289,740</u>

INCOME BEFORE INCOME TAXES 554,450

### INCOME TAX PROVISION

Income tax expense 3,300

NET INCOME \$ 551,150

The accompanying notes are an integral part of these financial statements.

# EXCHANGERIGHT SECURITIES, LLC

## Statement of Changes in Members' Equity For the 15 Months ended December 31, 2018

	<u>Total Members' Equity</u>
Beginning Balance September 18, 2017	\$ 63,839
Capital Distributions	(483,300)
Net Income	551,150
Ending Balance December 31, 2018	<u>\$ 131,689</u>

The accompanying notes are an integral part of these financial statements.

# EXCHANGERIGHT SECURITIES, LLC

## Statement of Cash Flows For the 15 Months Ended December 31, 2018

### CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	\$ 551,150
Adjustments to reconcile net income to net cash provided by operating activities:	
(Increase in) Decrease in:	
Broker/Dealer Fees Receivable	(30,770)
Other Assets	4,980
Increase in ( Decrease in):	
Due To Related Party	11,764
Accounts Payable	3,078
Commissions Payable	5,024
Income Taxes Payable	2,500
Total Adjustments	<u>(3,424)</u>
Net Cash Provided by Operating Activities	<u>547,726</u>

### CASH FLOWS FROM FINANCING ACTIVITIES:

Capital Distributions	<u>(483,300)</u>
Net cash used in financing activities	<u>(483,300)</u>
Increase In Cash	64,426
Cash - Beginning of Period	55,903
Cash - End of Period	<u>\$ 120,329</u>

### Supplemental disclosure of cash flow information

#### Cash paid during the year for:

Income taxes	\$ 800
Interest	-0-

The accompanying notes are an integral part of these financial statements.

EXCHANGERIGHT SECURITIES, LLC  
Notes to Financial Statements  
For the 15 months ended December 31, 2018

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*General*

ExchangeRight Securities, LLC, (the "Company"), was formed in January 6, 2016, in the State of California as a limited liability company. The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). The Company is authorized to engage in private placements of securities. The Company does not hold customer funds or safeguard customer securities. The Company was approved to do business by FINRA/SEC on October 9, 2017.

*Summary of Significant Accounting Policies*

The presentation 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Property and equipment are depreciated over their estimated useful lives of three (3) to seven (7) years by the straight-line method. Purchases greater than \$600 are capitalized.

The Company, with the consent of its Members, has elected to be a Limited Liability Company. For tax purposes, the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Accordingly, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a minimum Franchise Tax of \$800 plus a fee based upon gross receipts.

The Company is subject to audit by the taxing agencies for year ending December 31, 2016 and 2017.

EXCHANGERIGHT SECURITIES, LLC  
Notes to Financial Statements  
For the 15 months ended December 31, 2018

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

Accounting principles generally require that recognized revenue, expense, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

The management has reviewed the results of operations for the period of time from its 15 months ended December 31, 2018 through February 7, 2019 the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritized 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 liability or, in the absence of a principal market, the most advantageous market for the asset or liability. 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.)

There were no levels to measure at December 31, 2018.

EXCHANGERIGHT SECURITIES, LLC  
Notes to Financial Statements  
For the 15 months ended December 31, 2018

Note 2: USC606-REVENUE RECOGNITION POLICY

Revenue

A. Significant accounting policy

Revenue is measured based on a consideration specified in a contract with a customer and excludes any sales incentives and amounts collected on behalf of third parties. The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer.

Taxes and regulatory fees assessed by a government authority or agency that are both imposed on and concurrent with a specified revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

B. Nature of services

The following is a description of activities – separated by reportable segments, per FINRA Form “Supplemental Statement of Income (SSOI)”; from which the Company generates its revenue. For more detailed information about reportable segments, see below.

Fees earned: This includes fees earned from affiliated entities; investment banking fees, M&A advisory; account supervision and investment advisory fees; administrative fees, revenue from research services; rebates from exchanges/ECN and ATS; 12b-1 fees; Mutual fund fees other than concessions or 12b-1 fees; execution service fees; clearing services; fees earned from customer bank sweep into FDIC insured products or from '40 Act companies and networking fees from '40 Act companies.

Other Revenue

Changes in Accounting Policy:

The Company adopted Topic 606 “Revenue from Contracts with Customers” with a date of January 1, 2018. As a result, it has changed its accounting policy for revenue recognition as detailed below.

The Company applied Topic 606 using the cumulative effect method – i.e. by recognizing the cumulative effect of initially applying Topic 606 as an adjustment to the opening balance of equity at January 1, 2018. This was immaterial. Therefore, any prior reporting information has not been adjusted and continues to be reported under Topic 606. The details of the significant changes and quantitative impact of the changes are set out below.

EXCHANGERIGHT SECURITIES, LLC  
Notes to Financial Statements  
For the 15 months ended December 31, 2018

Advisory services contracts for public and corporate finance activities may contain a  
Note 2: USC606-REVENUE RECOGNITION POLICY (continued)

variety of promised goods and services. The Company may be engaged to assist its client with due diligence services, pre-transaction structuring advice, fairness opinions and finding prospective buyers. The Company will need to determine whether each promised good or service is capable as being distinct in the context of the contract because they are an input to the combined output of selling the business. The Company will apply significant judgement to identify the performance obligations and different conclusions may be reached based upon the specific terms and conditions of the contract. Many contracts contain variable considerations (e.g. success fees). The amount of variable consideration the Company can include will be limited to the amount for which it is probable that a significant revenue reversal will not occur when the uncertainties related to the variability are resolved. The Company will recognize the consideration allocated to specific performance obligations when, or as, those performance obligations are satisfied. Retainer fees (nonrefundable), announcement fees and success fees would not be recognized until the performance obligation has been satisfied (such as the close of sale). This may result in a change in the timing of recognition of the retainer fee compared to current practice prior to the adoption of Topic 606.

Note 3: INCOME TAXES

The Company is subject to a limited liability company gross receipts fee of \$2,500 and a minimum franchise tax of \$800. At December 31, 2018, the Company was subject to the limited liability company income tax or \$3,300.

Note 4: RELATED PARTY TRANSACTIONS

ExchangeRight Securities, LLC is fully owned by ExchangeRight Holdings, LLC. Throughout the year, ExchangeRight Securities, LLC shares certain expenses with JRW Investments. During 2018, this amount totaled \$55,521 of which \$43,757 was paid at December 31, 2018. The balance of \$11,764 has been paid by the date of the audit, February 7, 2019.

Note 5: COMMITMENTS AND CONTINGENCIES

On January 18, 2018, the Company signed an operating lease covering its office with a lease term beginning March 1, 2018 and expiring on May 15, 2024. Minimum future rental commitments are:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2019	\$20,687
December 31, 2020	21,307
December 31, 2021	21,946

EXCHANGERIGHT SECURITIES, LLC  
Notes to Financial Statements  
For the 15 months ended December 31, 2018

Note 5: COMMITMENTS AND CONTINGENCIES (continued)

December 31, 2022	22,605
December 31, 2023	23,283
December 31, 2024	<u>9,924</u>
	\$119,752

Rent expense for year ended December 31, 2018 was \$16,507.

Note 6: NET CAPITAL

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 8 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2018 the Company had a minimum net capital requirement of the greater of \$5,000 or 6 2/3% of aggregate indebtedness or \$1,503. The Company's actual net capital of \$102,806 was \$97,806 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness \$22,547 to net capital was .22 to 1, which is less than the 8 to 1 maximum ratio allowed for a broker dealer.

# EXCHANGERIGHT SECURITIES, LLC

## Schedule I Statement of Net Capital December 31, 2018

	Focus 12/31/18	Audit 12/31/18	Change
Members' Equity, December 31, 2018	\$ 131,689	\$ 131,689	\$ -
Subtract - Non allowable assets:			
Accounts Receivable	25,746	25,746	-
Other Assets	3,137	3,137	-
Tentative Net Capital	102,806	102,806	-
Haircuts	0	0	-
Net Capital	102,806	102,806	-
Minimum Net Capital	5,000	5,000	-
Excess Net Capital	\$ 97,806	\$ 97,806	\$ -
Aggregate Indebtedness	22,547	22,547	-
Ratio of Aggregate Indebtedness to Net Capital	0.22	0.22	

There were no differences between the Audit and Focus at December 31, 2018

The accompanying notes are an integral part of these financial statements.

# EXCHANGERIGHT SECURITIES, LLC

Schedule II  
Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2018

The Company is exempt from the Reserve Requirement of computation according to the provision of Rule 15c3-3(k)(2)(i).

Schedule III  
Information Relating to Possession or Control  
Requirements Under Rule 15c3-3  
December 31, 2018

The Company is exempt from the Rule 15c3-3 as it relates to possession and Control requirements under the (k)(2)(i) exemptive provision.

## Assertions Regarding Exemption Provisions

We, as members of management of ExchangeRight Securities LLC (the Company"), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker's or dealer's designated examining authority (DEA). One of the reports to be included in the annual filing is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

### Identified Exemption Provision:

The Company claims exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(i).

### Statement Regarding Meeting Exemption Provision:

The Company met the identified exemption provision without exception throughout the period October 1, 2017 through December 31, 2018.

ExchangeRight Securities LLC

By:



Warren Thomas, Principal

\_\_\_\_ February 7, 2019 \_\_\_\_

**BRIAN W. ANSON**

*Certified Public Accountant*

18401 Burbank Blvd., Suite 120, Tarzana, CA 91356 • Tel. (818) 636-5660 • Fax (818) 401-8818

**REPORT OF INDEPENDENT REGISTERED PUBLIC  
ACCOUNTING FIRM**

Board of Members  
Exchangeright Securities, LLC  
Pasadena, California

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

My 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 Exchangeright Securities, LLC's compliance with the exemption provision. 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, I do not express such an opinion.

Based on my review, I am 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.



Brian W. Anson  
Certified Public Accountant  
Tarzana, California  
February 7, 2019