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ANNUAL AUDITED REPORT
 Washington, DC **FORM X-17A-5** ✕
PART III

SEC FILE NUMBER
8-39048

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 01/01/18 AND ENDING 12/31/18
 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Prager & Co., LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
 One Maritime Plaza, Suite 1000

San Francisco (City) (No. and Street) California (State) 94111 (Zip Code)

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

Lloyd Leanse 415- 403-1900
 (Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BPM LLP

(Name - if individual, state last, first, middle name)
 600 California Street, Suite 600 San Francisco California 94108
 (Address) (City) (State) (Zip Code)

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FEB 21 2019

Washington, DC

PRAGER & CO., LLC

(SEC ID. No. 8-39048)

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

December 31, 2018

PUBLIC DOCUMENT

Filed pursuant to 17a-5(e)(3) as a Public Document.

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 (06-02)

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OATH OR AFFIRMATION

I, Lloyd Leanse, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Prager & Co., 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:

None

[Handwritten Signature]
Signature

Chief Financial Officer
Title

A notary public or other officer completing this certification 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 San Francisco
me on this

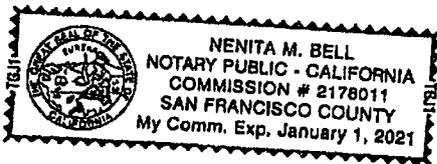
Subscribed and sworn to (or affirmed) before

20th day of February, 2019
Date Month Year

by
(1) Lloyd Leanse

and

(2) _____
Name(s) of Signer(s)



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

Seal
Place Notary Seal Above

Signature Nenita M. Bell
Signature of Notary Public

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 Members' 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).**

PRAGER & CO., LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Members of Prager & Co., LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Prager & Co., LLC (the "Company") as of December 31, 2018, and the related notes. In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Prager & Co., LLC 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 Prager & Co., LLC's management. Our responsibility is to express an opinion on Prager & Co., LLC'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 Prager & Co., 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.

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. 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 statement, 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.

BPM LLP

We have served as Prager & Co., LLC's auditor since 2014.
San Francisco, California
February 20, 2019

PRAGER & CO., LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2018

ASSETS

Cash on deposit with clearing broker-dealer	\$ 2,573,048
Marketable securities, at estimated fair value	547,536
Client fees receivable, net of allowance for doubtful accounts of \$22,435	1,203,323
Related party receivables, net of related party payables	675,294
Prepaid expenses and other assets	427,046
Property and equipment, net	<u>164,605</u>
Total assets	<u>\$ 5,590,852</u>

LIABILITIES AND MEMBERS' CAPITAL

Liabilities:	
Accounts payable and accrued expenses	\$ 1,317,123
Margin loan	547,663
Line of credit	250,000
Deferred rent	136,795
Deferred revenue	<u>49,074</u>
Total liabilities	2,300,655
Commitments and contingencies (Note 10)	
Members' capital	<u>3,290,197</u>
Total liabilities and members' capital	<u>\$ 5,590,852</u>

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

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Prager & Co., LLC (the "Company"), a Delaware Limited Liability Company, was formed in November 1987 and became a registered broker-dealer on March 3, 1988. The Company is an investment banking and securities broker-dealer specializing in fixed income securities, with primary offices in San Francisco and New York. The sole managing member of the Company is Prager Management Co., LLC, ("PMCo"), a Delaware Limited Liability Company. The Company has 14 non-managing members.

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

Liquidity

For the year ended December 31, 2018, the Company incurred a net loss of \$1,507,667, and negative cashflows from operations of \$1,874,173. Management believes the Company's current cash resources and operating plan are adequate to meet its operational needs for at least the next twelve months from the date of these financial statements, including the utilization of our available credit facility.

Basis of Presentation

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

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less and cash on deposit with its clearing broker dealer to be cash equivalents.

Client Fees Receivable and Allowance for Doubtful Accounts

Client fees receivable, including approximately \$880,000 of unbilled receivables, are stated at the amount management expects to collect from outstanding balances after discounts and bad debts, taking into account credit worthiness of customers and its history of collection. Management provides for probable uncollectible amounts through a charge to earnings and an increase to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Account balances are charged off when payments due are no longer expected to be received. The allowance for doubtful accounts amounted to \$22,435 as of December 31, 2018.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

1. Nature of Business and Summary of Significant Accounting Policies, continued

Valuation of Securities

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 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:

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 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The category includes municipal fixed income securities quoted prices.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Assets and liabilities for which there is a limited market or whose market quotations are not readily available are valued at estimated fair value as determined in good faith by the Company. The Company considers relevant factors, including the type of security, marketability, cost, coupon interest rate, yield, maturity, restrictions on disposition, credit quality, the ability of the issuer to continue scheduled interest payments and fulfill its obligation to bondholders and lastly, quotations from other market participants. For positions where quotations are available and considered to be reliable, the valuation is determined from the best and most consistent representation within the range of reliable quotations and having considered other relevant factors.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

1. Nature of Business and Summary of Significant Accounting Policies, continued

Valuation of Securities, 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.

Securities Owned, at Estimated Fair Value

Securities owned, at estimated fair value ("securities owned") consists of Treasury bills. The Company uses quoted prices that are available in active markets for identical securities to measure the fair value of these securities.

Securities owned are treated as trading securities and valued at their estimated fair value at end of day closing price with unrealized gains and losses reflected in the statement of income as part of trading profit or loss. Other securities traded in the over-the-counter markets are valued at their last reported "bid" price if held long, and last reported "asked" price if sold short.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

1. Nature of Business and Summary of Significant Accounting Policies, continued

Property and Equipment

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

<u>Asset</u>	<u>Useful Life</u>	<u>Depreciation Method</u>
Computers, software, and office equipment	3 to 5 years	Straight-line
Furniture, fixtures, and equipment	5 years	Straight-line
Leasehold improvements	Lease term	Straight-line

Income Taxes

The Company is a limited liability company, and is treated as a partnership for income tax reporting purposes. The Internal Revenue Code ("IRC") provides that any income or loss is passed through to the members for federal and state income tax purposes. Accordingly, the Company has not provided for federal or state income taxes.

At December 31, 2018, the Company had no uncertain tax positions that would require financial statement recognition. This determination is subject to ongoing reevaluation as facts and circumstances may require. The Company remains subject to U.S. federal and state income tax audits for all periods subsequent to 2013.

On January 2, 2018, with an effective date of December 31, 2017, the Internal Revenue Service ("IRS") issued final regulations affecting partnerships (and entities taxed as partnerships) that are intended to streamline the tax examination process and allow the IRS to collect any underpayments of tax from the partnership rather than the individual partners. Under the new process, the IRS will examine partnership items in a prior year under examination and any tax adjustments will be taken into account at the partnership level in the current year when the examination is complete. The partnership will pay the tax, interest, and penalties on underpayments using the highest statutory corporate or individual rate, which can be reduced under certain circumstances. The final regulations provide that partnerships can elect out of the new tax examination process if eligible. Management does not believe these changes have an effect on the Company's financial statements as of and for the year ended December 31, 2018.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

1. Nature of Business and 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 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.

Recently Issued Accounting Standards, Not Yet Adopted

ASU 2016-02 Leases (Topic 842) ("ASU 2016-02")

In February 2016, the FASB issued ASU 2016-02 which amends several aspects of lease accounting. Such amendments include requiring lessees to recognize almost all leases with a term greater than one year as a right-of-use asset with a corresponding liability. Both the asset and liability will be required to be measured at the present value of the lease payments. ASU 2016-02 is effective in the first quarter of fiscal year 2019 and is required to be adopted using a modified retrospective approach. The Company is evaluating the impact of the adoption of this standard on its financial statements.

ASU 2016-13 Financial Instruments - Credit Losses (Topic 326) ("ASU 2016-13")

In June 2016, the FASB issued ASU 2016-13 which will change the impairment model for most financial assets and require additional disclosures. The amended guidance requires financial assets that are measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets. The amended guidance also requires management to consider historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount in estimating credit losses. ASU 2016-13 is effective commencing in the first quarter of fiscal 2020 and will be applied through a cumulative-effect adjustment to retained earnings at the beginning of the year of adoption. The Company is currently evaluating the impact of the adoption of this standard on its financial statements.

PRAGER & CO., LLC

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

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 and liabilities measured at fair value on a recurring basis and the Company's estimated level within the fair value hierarchy of those assets and liabilities as of December 31, 2018:

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	Balance as of December 31, <u>2018</u>
Assets, at fair value:				
Investments in securities:				
Treasury bills	<u>\$ 547,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,536</u>
Total investments in securities	<u>\$ 547,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 547,536</u>

3. Property and Equipment

Property and equipment at December 31, 2018 consisted of the following:

Computers, software, and office equipment	\$ 1,374,177
Furniture, fixtures, and equipment	401,638
Leasehold improvements	<u>1,297,247</u>
Total	3,073,062
Less accumulated depreciation	<u>(2,908,457)</u>
Property and equipment, net	<u>\$ 164,605</u>

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

4. Net Capital Requirement

The Company, as a member of FINRA, is subject to the SEC Uniform Net Capital Rule 15c3-1 ("Rule"). Under the alternative method permitted by the Rule, a firm must maintain minimum net capital equal to the greater of \$250,000 or 2 percent of combined aggregate debit balances as shown in the formula for reserve requirements pursuant to Rule 15c3-3. At December 31, 2018, the Company's net capital was \$974,190 which was \$724,190 in excess of its minimum requirement of \$250,000.

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

5. Related Party Transactions

The Company has an agreement with the managing member, PMCo, under which PMCo performs certain functions relating to the management of the Company.

At December 31, 2018, the Company has a payable to PMCo in the amount of approximately \$7,574 which represents noninterest bearing unreimbursed accrued expenses incurred by PMCo and is included in related party receivables, net of related party payables on the accompanying statement of financial condition.

At December 31, 2018, the Company has a non-interest bearing receivable from a member in the amount of \$600,000 for funds advanced to this member prior to December 31, 2011. This receivable is included in related party receivables, net of related party payables on the accompanying statement of financial condition. The advances are non-interest bearing and are not documented by formal agreements. The Company believes this amount is fully collectable.

At December 31, 2018, the Company has accrued distributions to members in the amount of \$259,663 for unpaid distributable net income from prior years, which is included in accounts payable and accrued expenses on the accompanying statement of financial condition.

At December 31, 2018, the Company has a receivable from Prager, McCarthy & Sealy, Inc., an affiliate entity in the amount of approximately \$82,868 for funds advanced to this affiliate prior to December 31, 2011, which are included in related party receivables, net of related party payables on the accompanying statement of financial condition. This advance is non-interest bearing and is not documented by formal agreements. The Company believes this amount is fully collectable.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

6. Members' Capital

Contributions

Capital contributions during 2018 totaled \$800,000 and include \$550,000 for the purchase of a member interest in the Company and \$250,000 contributed by another member for general operations.

Withdrawals

Members may withdraw capital with the approval of the Managing Member, as long as the withdrawal would not create a deficiency in the Company's net capital. During the year, certain members requested to withdraw capital. For the year ended December 31, 2018, capital in the amount of \$412,499 was returned to these members.

Distributions

The limited liability company (LLC) agreement provides for distributions at the discretion of the Managing Member to be allocated between the Non-managing Members on a pro rata capital account basis. Distributions of \$0 and \$525,001 were made to the Managing Member and Non-managing Members, respectively, during the year ended December 31, 2018.

Net Income Allocations

Provisions in the LLC agreement specify the priority of income allocations. Allocations of net profit are generally made on a pro rata ownership basis. Allocations of net loss are made first to Non-managing Members until their capital accounts are reduced to zero. Incremental losses are then allocated to the Managing Member.

7. Off-Balance Sheet Risk

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to a clearing broker on a fully-disclosed basis. 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 addition, the cash on deposit with brokers and dealers pursuant to this clearance agreement includes a clearing deposit of \$150,000.

PRAGER & CO., LLC

NOTES TO FINANCIAL STATEMENT

DECEMBER 31, 2018

7. Off-Balance Sheet Risk, continued

The Company may sell securities that it has not yet purchased, which represent obligations to deliver the specified security at a contracted price, thereby creating a liability to purchase the security in the market at prevailing prices. Such transactions result in off-balance sheet market risk as the Company's ultimate obligation to satisfy the sale of securities sold, not yet purchased, may exceed the amount recorded in the statement of financial condition. The Company seeks to control such market risk through the use of internal monitoring guidelines. The Company had no securities sold, not yet purchased as of December 31, 2018.

In the ordinary course of business, the Company enters into underwriting commitments. There were no underwriting commitments open as of December 31, 2018.

In the ordinary course of business, the Company's customer activities involve the execution, 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.

8. Concentrations of Credit Risk

The Company maintains its cash balances in various financial institutions. These cash balances may, at times, exceed federally insured limits.

As of December 31, 2018, approximately \$403,197, or 33% of the Company's client fees receivable were due from two customers.

9. Employee Benefit Plan

The Company maintains a qualified employee 401(k) plan. The plan is self-administered and may be altered or terminated at any time by the Company. The Company matches certain employee contributions. Contributions by the Company to the plan are determined by management within Federal tax limits.

10. Commitments and Contingencies

Litigation

The nature of the Company's business subjects it to claims, lawsuits, regulatory examinations and other proceedings in the ordinary course of business. Predicting the outcome of a matter is inherently difficult, especially if a claimant seeks unspecified damages, or when examinations or proceedings are at an early stage.

The Company was not aware of any pending litigation as of December 31, 2018.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

10. Commitments and Contingencies, continued

Lease Arrangements

The Company has various lease arrangements for office space under non-cancelable operating lease agreements through May 2020.

The Company also has various non-cancelable sub-lease agreements whereby the Company rents portions of its office space in San Francisco and New York through August 2019.

Future annual gross payments and sublease income under these arrangements are as follows:

	<u>Rent Payment Obligations</u>	<u>Sub-lease Rent</u>
Year ending December 31:		
2019	1,064,862	(511,000)
2020	<u>125,168</u>	<u>-</u>
Total	<u>\$ 1,190,030</u>	<u>\$ (511,000)</u>

See Note 13 for the new agreement entered into during February 2019.

11. Margin Loan

The Company maintains a margin loan facility with its clearing broker-dealer for the purpose of financing its securities owned. The margin loan is available until the agreement with the clearing broker-dealer is terminated. The amount available to borrow is dependent on the amount of equity maintained by the Company at the clearing broker-dealer. Interest charged on this facility is assessed at the Broker Call rate. At December 31, 2018 the outstanding amount on the margin loan was \$547,663. This loan is offset by cash deposited with the clearing broker-dealer in excess of the margin loan amount. According to the terms of the agreement, interest is not charged on the loan since cash on deposit with the clearing broker-dealer exceeds the margin loan balance. The securities and cash owned by the Company and held at its clearing broker-dealer are used to collateralize the outstanding balance.

PRAGER & CO., LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2018

12. Line of Credit

The Company maintains a revolving line of credit with a financial institution under which it may borrow up to \$1,000,000 for general operating purposes at an interest rate tied to the financial institution's prime rate, which was 5.50% at December 31, 2018. The Company had an outstanding average balance of approximately \$488,750 on this line of credit during the year. The outstanding balance on this line of credit as of December 31, 2018 was \$250,000. The Company's line of credit matures in September 2019 and contains certain financial covenants. At December 31, 2018, the Company was out of compliance with one of its financial covenants. The Company obtained a waiver, which waived the non-compliance at December 31, 2018.

13. Subsequent Events

The Company has evaluated all subsequent events for recognition and disclosure through February 20, 2019, the date which these financial statements were issued.

In February 2019, the Company entered into a ten-year sublease agreement to rent office space in San Francisco. The lease commences in September 2019 and requires monthly rent payments of approximately \$38,000 per month with annual increases of three percent.

Nothing additional has occurred outside the ordinary course of business which would require disclosure or recognition as of December 31, 2018.