



21001428

SION

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

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

SEC FILE NUMBER
8-27663

SEG Mail Processing

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder
Washington, DC

REPORT FOR THE PERIOD BEGINNING 01/01/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Mid Atlantic Capital Corporation**

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

1251 Waterfront Place, Suite 510

(No. and Street)

Pittsburgh**PA****15222**

(City)

(State)

(Zip Code)

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

Joseph F. Banco 412-391-7077

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton LLP

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

12 Federal Street, Suite 200**Pittsburgh****PA****15212**

(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)

SEC 1410 (06-02)

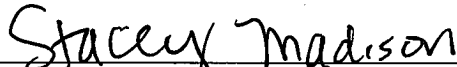
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Joseph F. Banco, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Mid Atlantic Capital Corporation, as of December 31, 202020, 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:

Commonwealth of Pennsylvania - Notary Seal
Stacey Madison, Notary Public
Allegheny County
My commission expires February 7, 2025
Commission number 1073182
Member, Pennsylvania Association of Notaries


Signature
Chief Financial Officer
Title


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 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).**

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
(A Wholly Owned Subsidiary of NewEdge Capital Group, LLC)

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2020

**MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2020**

CONTENTS

Report of Independent Registered Public Accounting Firm	1 - 2
Consolidated Statement of Financial Condition	3
Notes to Consolidated Statement of Financial Condition	4 - 13

GRANT THORNTON LLP

Two Commerce Square
2001 Market St. Suite 700
Philadelphia, PA 19103

D +1 215 561 4200

F +1 215 561 1066

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Equity Owner
Mid Atlantic Capital Corporation

Opinion on the financial statements

We have audited the accompanying consolidated statement of financial condition of Mid Atlantic Capital Corporation, Inc. (the "Company"), a wholly owned subsidiary of NewEdge Capital Group, LLC, as of December 31, 2020, 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, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.



Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Grant Thornton LLP

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

Philadelphia, Pennsylvania
March 29, 2021

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2020

ASSETS

Cash and Cash Equivalents	\$ 6,875,731
Securities Owned - At Fair Value	11,539,764
Accounts Receivable	579,201
Related Party Receivable	600,448
Receivable From Clearing Organizations	414,496
Deposits with Clearing Organizations	520,000
Prepaid and Other Assets	62,621
State Income Tax Receivable	20,862
Deferred Tax Assets	<u>2,451,450</u>
Total Assets	<u><u>\$ 23,064,573</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities

Margin Liability Payable to Clearing Organization	\$ 5,767,631
Accounts Payable, Accrued Expenses, and Other Liabilities	3,668,123
Securities Sold, Not Yet Purchased - At Fair Value	62,855
Related Party Payable	<u>981,836</u>
Total Liabilities	<u><u>10,480,445</u></u>

Stockholder's Equity

Common Stock; \$1 Par Value; 10,000 Shares Authorized; 750 Shares Issued and Outstanding	750
Additional Paid-In Capital	4,059,860
Retained Earnings	<u>8,523,518</u>
Total Stockholder's Equity	<u><u>12,584,128</u></u>

The accompanying notes are an integral part of this financial statement.

**MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**

1 - ORGANIZATION

The consolidated statement of financial condition of Mid Atlantic Capital Corporation and Subsidiary includes the accounts and balances of Mid Atlantic Capital Corporation and its wholly owned subsidiary, LPA Insurance Agency, Inc. All material intercompany transactions and balances have been eliminated in consolidation.

Mid Atlantic Capital Corporation was incorporated under the laws of the Commonwealth of Pennsylvania in December 1981. The Company is a wholly owned subsidiary of NewEdge Capital Group, LLC (the "Parent"), a Delaware corporation. On September 1, 2020, the Company was spun out from its previous parent, Mid Atlantic Capital Group, Inc. as part of a corporate restructure. The ultimate parent company of the Company is EdgeCo Holdings, L.P., a Delaware corporation. The Company is a securities broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA"). The Company has a nationwide customer base that includes institutional, corporate, and individual investors.

LPA Insurance Agency, Inc. was incorporated under the laws of the State of California in July 1998. The company provides insurance and investment related products and services principally to individuals.

The Company utilizes National Financial Services, LLC ("NFS"), a member of the New York Stock Exchange, Inc., on a fully disclosed basis in connection with execution and clearance of the securities transactions effected by the Company and its customers. The Company also utilizes National Securities Clearing Corporation for the execution and clearance of mutual fund transactions. As such, the Company operates under the full provisions of the Securities and Exchange Commission ("SEC") Rule 15c3-3.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated statement of financial condition of the Company is prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles ("GAAP") as promulgated by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Immaterial Correction of an Error

On June 1, 2018, the Company's Parent was acquired by EdgeCo Holdings, Inc. At the time, EdgeCo Holdings, Inc. did not pushdown the resulting goodwill or transaction costs for tax purposes. In 2020, the Company determined that the goodwill should have been allocated to the subsidiaries for tax purposes and retrospectively transferred the goodwill to the subsidiaries. This resulted in a deferred tax asset due to the temporary difference created by amortization for tax purposes but not book purposes.

A valuation report completed by an independent third party as of May 31, 2018 was used to determine the equity based on fair value and the additional goodwill and intangible assets that were recognized for tax purposes.

In the opinion of management, the error is not material to prior reported amounts.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of the consolidated statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statement. Actual balances could differ from those estimates.

Securities Transactions and Commissions

The Company accounts for credit losses on financial assets measured at amortized cost basis and off-balance sheet credit exposures in accordance with FASB ASC 326, Financial Instruments – Credit Losses. FASB ASC 326 requires the Company to estimate expected credit losses over the contractual term of its financial assets as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The Company adopted the standard effective January 1, 2020.

Management has concluded that adoption of this guidance will not have a material impact on the Company's Consolidated Financial Statements.

The Company clears its securities transactions on a fully disclosed basis through its clearing broker. Under the clearing agreement the Company indemnifies the clearing broker for losses incurred on clearing transactions and carrying accounts for customers. Under this agreement, the clearing broker requires the Company to maintain a cash deposit and may withhold other amounts due the Company. The clearing broker is subject to various regulations which require certain specified levels of regulatory capital, initial and maintenance margin for customer accounts and protect balances held by customers and broker-dealers. The Company receives payment from the clearing broker monthly for commissions and other income it collects on behalf of the Company. Due to the short term nature of receivables related to commissions and other income and the fact that the Company has not experienced any significant losses related to its clearing arrangement it has not recorded a credit loss allowance.

Proprietary securities transactions in regular-way trades are recorded on the trade date. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Customers' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a settlement date basis. In the opinion of management, the differences in settlement date versus trade date recording is not considered material to the consolidated financial statement.

Securities are recorded at fair value in accordance with FASB ASC 820, *Fair Value Measurement*.

Leases

In 2016, FASB issued Accounting Standards Update No. 2016-02 which became ASC Topic 842, Leases. Topic 842 requires that an entity recognize a right-of-use asset and related lease liability on the statement of financial condition for all arrangements with terms longer than 12 months. The Company adopted the standard effective January 1, 2020. Management has concluded that adoption of this guidance did not have a material impact on the Company's consolidated financial statement.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Concentrations of Credit Risk

The Company maintains balances on deposit with financial institutions (banks) and its clearing organizations. Those organizations are located in Pennsylvania (financial institutions) and Massachusetts (clearing organizations). Accounts at the financial institutions are insured by the Federal Deposit Insurance Corporation. At times, the Company's cash balances may exceed the insured limits. The Company has not experienced any losses associated with these accounts.

Accounts Receivable

The Company provides an allowance for doubtful accounts. At December 31, 2020, in the opinion of management, no allowance was deemed necessary.

Margin Liability

In the normal course of business, the Company may borrow money from its clearing organization to purchase securities in its proprietary accounts. The borrowings are secured by the securities and bear interest at the short-term borrowing rate of the clearing organization. Margin borrowings are presented gross in the consolidated statement of financial condition.

Income Taxes

Income taxes are accounted for in accordance with ASC Topic 740, Income Taxes, under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company is included in the U.S. consolidated income tax return of NewEdge Capital Group, LLC for the year-ended December 31, 2020. Up through October 1, 2020, the Company was included in the U.S. consolidated income tax return of EdgeCo Holdings, Inc. On October 1, 2020, the Company was part of a restructuring transaction that caused it to be distributed out its historical consolidated group and become a part of a new consolidated group with NewEdge Capital Group, LLC as the parent. The restructuring transaction has no tax related impact on the separate company financial statements of the Company.

The Company reports accrued interest and penalties related to unrecognized tax benefits on the related tax liability line in the consolidated statement of financial condition. Total interest and penalties during 2020 was \$0.

GAAP prescribes rules for recognition, measurement, classification, and disclosure in the Consolidated Financial Statements of uncertain tax positions taken or expected to be taken in the Company's tax returns. Management has determined that the Company does not have any uncertain tax positions and associated unrecognized tax benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Company's tax returns will not be challenged by taxing authorities and that the Company will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, the Parent's federal and certain of the Company's state tax returns remain open for income tax examination for three years from the date of filing.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COVID-19

In March 2020, the World Health Organization declared the outbreak of a new strain of coronavirus (“COVID-19”) a pandemic. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of financial markets. The extent of the impact of the COVID-19 pandemic on the Company’s operations and financial performance will depend on future developments, including the duration and spread of the pandemic, all of which are uncertain and cannot be predicted at this time.

As a direct result of the economic impacts of COVID-19, the Company has experienced a decline in certain revenues. While the decline is not significant to the overall income from operations, the Company will continue to monitor the evolving COVID-19 pandemic and the long-term impacts of continued economic and market volatility.

Subsequent Events Evaluation

The accompanying Consolidated Financial Statements include an evaluation of events or transactions that have occurred after December 31, 2020 and through the date the Consolidated Financial Statements were issued.

3 - FAIR VALUE

Fair Value Hierarchy

FASB ASC topic on Fair Value Measurements and Disclosures defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by the FASB ASC topic, 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: Quoted prices (unadjusted) in active markets for identical assets or liabilities the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: 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.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

3 - FAIR VALUE (CONTINUED)

Fair Value Hierarchy (Continued)

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. 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. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

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 falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Processes and Structure

Management is responsible for the Company's fair value valuation policies, processes, and procedures. These control processes are designed to assure that the values used for financial reporting are based on observable inputs wherever possible. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable.

Fair Value Measurements

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 the Company believes market participants would use in pricing the asset or liability at the measurement date. A description of the valuation techniques applied to the company's major categories of assets and liabilities measured at fair value on a recurring basis follows.

U.S. Government Securities: U.S. government securities are normally valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. U.S. government securities are categorized in Level 1 or Level 2 of the fair value hierarchy, depending on the inputs used and market activity levels for specific securities.

Municipal Securities: Municipal securities are priced by independent pricing services, typically obtained from dealers and trade prices. Municipal securities are categorized in Level 2 of the fair value hierarchy, as the significant inputs are observable.

Corporate Bonds: The fair value of corporate bonds is determined using recently executed transactions, market price quotations (when observable), bond spreads or credit default swap spreads obtained from independent external parties, such as vendors and brokers, adjusted for any basis differences between cash and derivative instruments. When position-specific external price data is not observable, fair value is determined based on either benchmarking to similar instruments or cash flow models with yield curves, bond, or single-name credit default spreads and recovery rates as significant inputs. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy; in instances when prices, spreads, or any of the other aforementioned key inputs are unobservable, they are categorized in Level 3 of the fair value hierarchy.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

3 - FAIR VALUE (CONTINUED)

Fair Value Measurements (Continued)

Equity Securities and Mutual Funds: Equity securities and mutual funds are generally valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in Level 1 of the fair value hierarchy; otherwise, they are categorized in Level 2 or Level 3 of the fair value hierarchy.

There have been no changes in the methodologies used at December 31, 2020.

At December 31, 2020, the Company's financial assets and liabilities consisted of securities owned and securities sold, not yet purchased.

The following are the classes of assets and liabilities measured at fair value as of December 31, 2020, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring Fair Value Measurements				
Assets				
Cash and Cash Equivalents	\$ 6,875,731	\$ -	\$ -	\$ 6,875,731
Securities Owned				
Municipal Obligations	-	11,348,620	-	11,348,620
Equity Securities	112	-	-	112
Mutual Funds	179	-	-	179
Corporate Obligations	<u>-</u>	<u>190,853</u>	<u>-</u>	<u>190,853</u>
	<u>\$ 6,876,022</u>	<u>\$ 11,539,473</u>	<u>\$ -</u>	<u>\$ 18,415,495</u>
Liabilities				
Securities Sold, Not Yet Purchased				
Federal and State Government				
Obligations	\$ 162	\$ -	\$ -	\$ 162
Municipal Obligations	-	26,218	-	26,218
Equity Securities	<u>36,475</u>	<u>-</u>	<u>-</u>	<u>36,475</u>
	<u>\$ 36,638</u>	<u>\$ 26,218</u>	<u>\$ -</u>	<u>\$ 62,855</u>

There were no transfers between Level 1 and Level 2 during the year.

The clearing and depository operations of the Company's securities transactions are provided by NFS. At December 31, 2020, all securities owned, as reflected in the accompanying consolidated statement of financial condition, are positions in custody with this broker.

The Company's proprietary securities transactions are recorded on a trade date basis. All unsettled proprietary trades on December 31, 2020, were closed subsequent to December 31, 2020.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

4 - RECEIVABLE FROM AND PAYABLE TO CLEARING ORGANIZATIONS

The Company clears its proprietary transactions and customer transactions on a fully disclosed basis through NFS.

At December 31, 2020, the net amount receivable from NFS consisted of the following:

Net Receivable from NFS:

Commissions and Trade Date Adjustment Receivable	\$ 706,928
Clearing and Execution Charges Payable	<u>(292,432)</u>
	<u>\$ 414,496</u>

5 - MARGIN LIABILITY PAYABLE TO CLEARING ORGANIZATION

As of December 31, 2020, the Company has a margin liability payable to NFS in the amount of approximately \$5.8 million, which is collateralized by approximately \$11.5 million of securities owned by the Company.

6 - BORROWED FUNDS

The Company had bank commitments of \$5 million at December 31, 2020 on a revolving line of credit. The agreement contains provisions for interest at the 30 day LIBOR rate (0.50% at December 31, 2020) plus 2.25%. The line of credit agreement is subject to periodic renewal and is due to expire in December 2021. There was no outstanding balance on the revolving line of credit at December 31, 2020. The Company is required to meet certain minimum financial covenants under the terms of the line of credit. The Company was in compliance with all financial covenants for the year ended December 31, 2020.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

7 - RELATED PARTY TRANSACTIONS

Overhead and Other Costs

A significant portion of the Company's general and administrative expenses consist of overhead cost allocations from its previous Parent and company under common ownership. However, certain operating expenses specific to the Company are normally incurred and recognized directly by the Company. The related party incurs the majority of payroll and related taxes, rents, office, and other expenses on its own behalf and on behalf of its various subsidiaries (the "Group"). These overhead costs are shared by the subsidiaries based on an allocation of Group compensation among the Parent and its subsidiaries or by other cost allocation methods. The Company recognized payroll, rents, office, and other expenses under this overhead cost arrangement of approximately \$4.5 million in 2020.

On occasion, the Company receives from and/or advances funds to its Parent and other related parties. The outstanding advances do not bear interest and do not have a fixed repayment term. At December 31, 2020, the Company had a receivable due from related parties in the approximate amount of \$600,000, which is in the caption "Related Party Receivable" in the accompanying consolidated statement of financial condition.

The Company also has a payable to the Parent in the amount of \$660,000, in the form of a non-interest bearing, demand note as well as approximately \$322,000 in other related party payables, shown in the caption "Related Party Payable" in the accompanying Consolidated Statement of Financial Condition.

The Company incurs trading and settlement expenses from a related party (a company under common ownership). The total fees incurred from this related party during 2020 were \$60,000, of which \$0 was payable at December 31, 2020.

Commissions and Fee Revenues

The Company provides services for a related party (a company under common ownership) for a fee. These fees represent trade execution, cash processing and charges for mutual fund fee collection, based on a contractual fee schedule between the entities. The receivable had a balance of \$0 at December 31, 2020.

The Company along with its affiliated Trust Company is a party-in-interest under ERISA regulations. As a designated agent for the Trust Company, the Company receives certain mutual fund trailer fees and remits them to the Trust Company periodically. The Company has no obligation to pay these amounts until received.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

8 - CONSOLIDATED SUBSIDIARY

The following is a summary of certain financial information of the Company's wholly owned subsidiary, LPA Insurance Agency, Inc, as of December 31, 2020.

Total Assets	\$ <u>95,709</u>
Stockholder's Equity	\$ <u>102,211</u>

Principally, all of the stockholder's equity of the subsidiary is included as an addition to capital in the consolidated computation of the Company's net capital, because the net assets of the subsidiary are readily available for the protection of the Company's customers, broker-dealers, and other creditors, as permitted by Rule 15c3-1.

9 - NET CAPITAL REQUIREMENTS

The Company, as a registered broker-dealer in securities, is subject to the net capital rule adopted by the Securities and Exchange Commission and administered by the Financial Industry Regulatory Authority. This rule requires that the Company's "aggregate indebtedness" not exceed fifteen times its "net capital" as defined. The Financial Industry Regulatory Authority may require a broker-dealer to reduce its business activity if the capital ratio should exceed 12 to 1 and may prohibit a broker-dealer from expanding business if the ratio exceeds 10 to 1. At December 31, 2020, the Company's net capital under the uniform net capital rule was approximately \$8.3 million, which exceeded the minimum capital requirements by approximately \$7.6 million. The Company's ratio of aggregate indebtedness to net capital at December 31, 2020, was 1.17 to 1.

10 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Company's customer activities involve the execution and settlement of various customer securities transactions. These activities may expose the Company to off-balance-sheet risk in the event the customer or counterparty is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company clears securities transactions on behalf of customers through its clearing broker. In connection with these activities, customers' unsettled trades may expose the Company to off-balance-sheet credit risk in the event customers are unable to fulfill their contracted obligations with the clearing broker. As of December 31, 2020, there were no liabilities that the Company is subject to indemnify its clearing broker for losses sustained from customer transactions introduced by the Company.

MID ATLANTIC CAPITAL CORPORATION AND SUBSIDIARY
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
(CONTINUED)

11 - COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

The Company is named as a defendant in litigation. The matters are subject to many uncertainties, and the outcomes are not predictable with assurance. Consequently, management is unable to ascertain the ultimate aggregate amount of monetary liability or financial impact, if any, with respect to these matters as of December 31, 2020. The Company believes the matters are without merit and intends to vigorously defend its positions.

Arbitration Settlement

The Company was named as a defendant in a customer arbitration case for alleged claims; and in 2017, the claimant was awarded damages and costs by a FINRA arbitration panel. The Company has filed a motion to vacate the award in U.S. District Court. The Company has recorded a \$652,667 provision for loss (net of indemnification settlements provided by the previous owners of the Company), which was charged to operations in 2016. As of December 31, 2020, the case was settled, and the liability was reduced to \$0. Payments of approximately \$1.1 million were made, however, no additional charge to earnings was recorded as a result of this settlement due to the indemnification by the previous owner.

12 - INCOME TAXES

The Company (and its parent company) is taxed as a C Corporation for federal and state income taxation purposes. Accordingly, the Company reported income tax for the year ended December 31, 2020.

The deferred tax assets recognized and included under the caption "Deferred Tax Assets" in the accompanying consolidated statement of financial condition as of December 31, 2020 are as follows:

Deferred Tax Assets

Goodwill and Intangibles	\$ 2,452,456
--------------------------	--------------

Deferred Tax Liabilities

Depreciation	\$ <u>(1,006)</u>
--------------	-------------------

Total Net Deferred Tax Assets	\$ 2,451,450
--------------------------------------	---------------------

In assessing the realizability of deferred tax assets, management considered whether it is more likely than not that some portion or all deferred tax assets will not be realized. In assessing the need for a valuation allowance, the Company considered both positive and negative evidence related to the likelihood of realization of the deferred tax assets. After considering these factors, management concluded that it was more likely than not that the deferred tax assets would be fully realized, and as a result, no valuation allowance against the deferred tax assets was deemed necessary at December 31, 2020.

The tax-related payable to the Parent as of December 31, 2020 is \$179,196.