

**ALTERNATIVE EXECUTION GROUP**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2021**

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

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/21 AND ENDING 12/31/21  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: ALTERNATIVE EXECUTION GROUP / Three Brothers Trading LLC

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer     Security-based swap dealer     Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

111 W 41ST STREET

(No. and Street)

BAYONNE

NJ

07002

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

DOUGLAS SHERMAN

(201) 412-3298

DSHERMAN@AEXG.NET

(Name)

(Area Code - Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

BF BORGERS, CPA PC

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

5400 WEST CEDAR AVENUE

LAKWOOD

CO

80226

(Address)

(City)

(State)

(Zip Code)

5/11/2010

5041

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

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

OATH OR AFFIRMATION

I, DOUGLAS SHERMAN, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of ALTERNATIVE EXECUTION GROUP, as of DECEMBER 31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature

Title:  
PRESIDENT

Notary Public

**John J. Rachinsky**  
**Attorney At Law of NJ**

This filing\*\* contains (check all applicable boxes):

- (a) Statement of financial condition.
- (b) Notes to consolidated statement of financial condition.
- (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

**Alternative Execution Group  
December 31, 2021**

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## **Report of Independent Registered Public Accounting Firm**

To the Directors and Equity Owners of Alternative Execution Group

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Alternative Execution Group (the "Company") as of December 31, 2021, the related statements of income and retained earnings, changes in stockholder's equity, and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

### **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 audits. 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 audits 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.

Our audits 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 audits 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 audits provide a reasonable basis for our opinion.



### **Supplemental Information**

The information contained in Supplemental Schedules has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The Supplemental Information is the responsibility of the Company's management. Our audit procedures included determining whether the Supplemental Information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the Supplemental Information. In forming our opinion on the Supplemental Information, we evaluated whether the Supplemental Information, including its form and content is presented in conformity with 17 C.F.R. § 240.17a-5. In our opinion, Supplemental Schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

B F Borgers CPA PC

Certified Public Accountants

We have served as the Company's auditor since 2015  
Lakewood, CO  
March 22, 2022

**Alternative Execution Group  
Statement of Financial Condition  
Year Ended December 31, 2021**

**ASSETS**

Cash and cash equivalents	\$ 3,134,890
Due from broker-dealers and clearing firm	2,239,809
Clearing firm deposit	376,981
Securities owned, at fair value	989,502
Other assets	<u>5,797</u>

**TOTAL ASSETS** **\$ 6,746,979**

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 2,214,105
Due to member	44,121
Securities sold, not yet purchased, at fair value	519,667
Non-customer payable	<u>250,000</u>

**TOTAL LIABILITIES** **3,027,893**

**MEMBERS' EQUITY** **3,719,086**

**TOTAL LIABILITIES AND MEMBERS' EQUITY** **\$ 6,746,979**

**Alternative Execution Group  
Notes to Financial Statements  
December 31, 2021**

**Note 1. Summary of Significant Accounting Policies**

*Description of Business*

Alternative Execution Group (the “Company”) became a registered securities broker-dealer on December 4, 2013 with the Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), Securities Investors Protection Corporation (“SIPC”), and New York Stock Exchange Archipelago Exchange (“NYSE Arca”).

The Company, under Rule 15c3-3(k)(2)(ii), is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing organization on a fully disclosed basis. The company's agreement with its clearing firm provides that as clearing organization, that firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing organization pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the “Act”). The clearing organization also prepares and distributes customer's confirmation and statements, as well as performing maintenance margin requirements under the Act and the rules of the Self-Regulatory Organizations of which the company is a member.

The Company's primary revenue streams derive from principal trading and market making services in over-the-counter equity securities to other broker-dealers as well as trading execution services to institutional investors and high net worth individuals. The Company maintains markets in over-the-counter equities, including but not limited to National Association of Securities Dealers Automated Quotations (“NASDAQ”) and non-NASDAQ securities. The Company also earns commissions from executing client transactions.

*Basis of Presentation and Use of Estimates*

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (“GAAP”) requires management to make estimates and assumptions in determining reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Securities transactions and related spread and commission revenues are recorded on a trade date basis, since that is when the underlying financial instrument is identified, the pricing is agreed upon, and the risks and returns of ownership have been transferred. Realized and unrealized trading gains and losses are reported in the statement of operations.

*Cash and Cash Equivalents*

The Company maintains a checking and savings account at the same institution. The Company also maintains deposit accounts and highly liquid investments at custodian banks. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Company's accounts at these institutions may, at times, exceed the federally insured limits. Cash deposited with a single brokerage institution are insured up to \$500,000 by the Securities Investors Protection Corporation (“SIPC”). The Company has not experienced any losses in these accounts.

**Alternative Execution Group  
Notes to Financial Statements  
December 31, 2021**

**Note 1. Summary of Significant Accounting Policies (continued)**

*Due from Broker-Dealers and Clearing Firm*

At December 31, 2021, the amount due from broker-dealers and clearing firm represents both cash maintained in a segregated account in the name of the Company as well as trading and commission income receivable at the clearing organization, Apex Clearing Corporation. The balance also includes cash maintained at another broker-dealer.

*Clearing Firm Deposit*

The Company is required to maintain a deposit of \$250,000 under the terms of its fully disclosed clearing agreement with Apex Clearing Corporation.

*Income Taxes*

The Company is organized as a New York Limited Liability Company (“LLC”) and all tax effects of the Company are passed through to the members. No provision or liability for Federal income taxes is included in these financial statements.

*Translation of Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, whereas the income statement accounts are translated at average rates of exchange for the year. Gains or losses resulting from foreign currency transactions are included in net income.

**Note 2. Fair Value Measurements**

*Fair Value*

Generally accepted accounting principles (“GAAP”) 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 assets 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 GAAP, 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 in an active market for identical assets or liabilities;
- Level 2: Observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model derived prices whose inputs are observable or whose significant value drivers are observable;
- Level 3: Assets and liabilities whose significant value drivers are unobservable, that reflect management's own assumptions.

**Alternative Execution Group  
Notes to Financial Statements  
December 31, 2021**

**Note 2. Fair Value Measurements (continued)**

*Fair Value Hierarchy*

The Company provides market making and trade execution services in liquid, over-the-counter equity securities that have a ready market.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021:

<u>Assets</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Equity Securities	\$ 989,502	\$ 989,502	\$ -	\$ -
	<u>\$ 989,502</u>	<u>\$ 989,502</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Liabilities</u>				
Equity Securities	\$ 519,667	\$ 519,667	\$ -	\$ -
	<u>\$ 519,667</u>	<u>\$ 519,667</u>	<u>\$ -</u>	<u>\$ -</u>

**Note 3. Related Party Transactions**

The Company is jointly and equally owned by two individuals. The Due to Member, included as part of liabilities, represents a payable of \$44,121 to an owner of the Company. The balance is unchanged from December 2020. This payable arose when the Company received a payment on behalf of an owner from another firm.

**Note 4. Non-Customer Payables**

The Company may require certain of its registered representatives to provide cash trading deposits based on trading activity as protection against any potential trading losses. At December 31, 2021, such deposits amounted to \$250,000.

**Note 5. Regulatory Requirements**

As a registered broker-dealer, the Company is subject to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital shall not exceed fifteen times net capital, as defined. At December 31, 2021, the Company had net capital of \$3,492,477, which exceeded requirements by \$2,968,477. The ratio of aggregate indebtedness to net capital was 0.72 to 1.

The Company is exempt from Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(ii).

**Alternative Execution Group  
Notes to Financial Statements  
December 31, 2021**

**Note 6. Financial Instruments, Off-Balance Sheet Risks and Uncertainties**

In the normal course of business, the Company's activities through its clearing organization involve the execution, settlement and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk. In the event a customer fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations.

In addition, the Company bears the risk of financial failure by its clearing organization. If the clearing organization should cease doing business, the Company's receivable from this clearing organization could be subject to forfeiture.

The Company's financial instruments, including cash and cash equivalents, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, commissions and salaries payable and due to broker are carried at amounts that approximate fair value, due to the short-term nature of the instruments.

**Note 7. Litigation**

The Company was a plaintiff in a lawsuit which resulted in a final judgment in favor of the Company in the amount of approximately \$3,900,000 plus accrued simple interest at 9% from December 3, 2018. During the year ended 2021, the defendant paid the Company \$300,000 towards the judgment and this is included in other income. It is uncertain how much, if anything, of the unpaid balance will be paid to the Company, thus there was no receivable created for the unpaid balance on the Company's books.

**Note 8. Subsequent Events**

The Company has performed an evaluation of events that have occurred subsequent to December 31, 2021 and through March 22, 2022, the date of the filing of this report. There have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the financial statements as of December 31, 2021.