



## OATH OR AFFIRMATION

I, JOYETTA SATIAH, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of HEDGEMARK SECURITIES, LLC, as of 12/31, 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:

CONTROLLER/ FINOP

Notary Public

### 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.



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Member and the Managing Director  
HedgeMark Securities, LLC:

### *Opinion on the Financial Statements*

We have audited the accompanying statement of financial condition of HedgeMark Securities, LLC (the Company) as of December 31, 2021, the related statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes (collectively, 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 year then ended in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. 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.

### *Accompanying Supplemental Information*

The supplemental information contained in Schedules I and II 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, the supplemental information contained in Schedules I and II is fairly stated, in all material respects, in relation to the financial statements as a whole.

**KPMG LLP**

We have served as the Company's auditor since 2013.

New York, New York  
February 25, 2022

**HedgeMark Securities, LLC**  
(A Wholly-Owned Subsidiary of HedgeMark International, LLC)  
**Statement of Financial Condition**  
**December 31, 2021**

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	<b>Assets</b>	<b>2021</b>
Cash and Cash Equivalents		\$ 1,318,641
Client Receivable		78,840
Prepaid expenses and other assets		<u>28,598</u>
Total assets		<u>\$ 1,426,079</u>
<b>Liabilities and Member's Equity</b>		
Liabilities:		
Due to affiliates (note 3)		\$ 19,875
Accounts payable, Accrued Expenses and Other Liabilities		<u>1,323</u>
Total liabilities		<u>\$ 21,198</u>
Member's Equity		
Paid-in-capital		\$ 3,627,599
Accumulated deficit		<u>(2,222,718)</u>
Total member's equity		<u>1,404,881</u>
Total liabilities and member's equity		<u>\$ 1,426,079</u>

See accompanying notes to financial statements.

**HedgeMark Securities, LLC**  
**(A Wholly-Owned Subsidiary of HedgeMark International, LLC)**  
**Statement of Operations**  
**For the year ended December 31, 2021**

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Revenues:	
Fee Income	113,056
Interest Income	\$ <u>372</u>
Total revenues	<u>113,428</u>
Expenses:	
Compensation and benefits	\$ 148,911
Professional fees	95,876
Regulatory	20,492
Occupancy	17,422
Email archival and storage services	12,720
General and administrative	<u>9,801</u>
Total expenses	<u>305,222</u>
Net loss	\$ <u>(191,794)</u>

See accompanying notes to financial statements.

**HedgeMark Securities, LLC**  
 (A Wholly-Owned Subsidiary of HedgeMark International, LLC)  
**Statement of Changes in Member's Equity**  
**For the year ended December 31, 2021**

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	<u>Paid-in-Capital</u>	<u>Retained Earnings</u>	<u>Total member's equity</u>
Balance, January 1, 2021	\$ 3,627,599	\$ (2,030,924)	\$ 1,596,675
Net loss		(191,794)	(191,794)
Balance, December 31, 2021	<u>\$ 3,627,599</u>	<u>\$ (2,222,718)</u>	<u>\$ 1,404,881</u>

See accompanying notes to financial statements.

**HedgeMark Securities, LLC**  
**(A Wholly-Owned Subsidiary of HedgeMark International, LLC)**  
**Statement of Cash flows**  
**For the year ended December 31, 2021**

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Cash flows from operating activities:	
Net loss	\$ (191,794)
Adjustments to reconcile net loss to net cash used in operating activities:	
Increase	
Client Receivables	(37,694)
Prepaid expenses and other assets	(363)
Decrease in liabilities:	
Accounts payable, accrued expenses and other liabilities	(332)
Due to affiliates	(2,049)
Net cash used in operating activities	<u>(40,438)</u>
Net decrease in cash	(232,232)
Cash and Cash Equivalents, beginning of year	<u>1,550,873</u>
Cash and Cash Equivalents, end of year	<u>\$ 1,318,641</u>

See accompanying notes to financial statements.

**HedgeMark Securities, LLC**  
(A Wholly-Owned Subsidiary of HedgeMark International, LLC)  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

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**Organization and Business**

HedgeMark Securities, LLC (the Company), a wholly owned subsidiary of HedgeMark International, LLC (“HMI”), was licensed as a limited-purpose broker-dealer on January 2, 2013. The Company is registered with the Securities and Exchange Commission (the “SEC”) and the Financial Industry Regulatory Authority (the “FINRA”). The Company is approved for the private placement of hedge fund securities. The Company and its parent are indirect, wholly owned subsidiaries of The Bank of New York Mellon (“BNY Mellon”). The Company has no possession or control obligations under SEA Rule 15c3-3(b) or reserve deposit obligations under SEA Rule 15c3-3(e) as its business is limited to the private placement of securities and selling interests in unregistered private investments funds. The Company does not trade in or execute transactions in securities, nor does it take custody of or receive customer funds or securities.

**1. Significant Accounting Policies**

*(a) Use of Estimates*

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of the financial statements in accordance with GAAP requires the Company 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 period. Actual results could differ from those estimates.

*(b) Cash and Cash Equivalents*

Cash and cash equivalents include a demand deposit account and money market funds that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. These cash equivalents generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing. On December 31, 2021, the Company had \$1,192,481 in money market funds and \$126,160 in a BNY Mellon affiliate demand deposit account.

*(c) Client Receivables*

Client receivables consists of management and performance fees that have not been paid as of year-end and will be reported net of the allowance for doubtful accounts. The allowance is based on management’s estimate of the amounts of receivables that will actually be collected. Management has determined that no allowance for uncollectible accounts is necessary for receivable balances as of December 31, 2021.

*(d) Accounts Payable, Accrued Expenses and Other Liabilities*

Expenses are recorded on the accrual basis as incurred.

*(e) Revenue Recognition*

Fee revenue is based on terms specified in a contract with a customer. Revenue is recognized when, or as, a performance obligation is satisfied by transferring control of a good or service to a customer. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that reflects the transfer of goods and services to the customer. Revenue from a

**HedgeMark Securities, LLC**  
**(A Wholly-Owned Subsidiary of HedgeMark International, LLC)**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

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performance obligation satisfied at a point in time is recognized at the point in time the customer obtains control of the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for the promised goods and services.

The Company provides limited distribution services to Fund Sponsors by identifying and introducing eligible prospective investors to the Fund Sponsors funds. Revenue is earned at a point in time and is equal to a percentage of the fees earned by Fund Sponsors which take the form of management fees, performance fees or both. Management fees are calculated as a percentage of each investor's month-end HedgeMark Access Class capital account balance and are constrained until month end when the account balance can be confirmed and collectability is certain.

Performance fees are generally calculated as a percentage of the applicable investor's HedgeMark Access Class capital account balance in accordance with the language in the agreement. Performance fees are constrained until all uncertainties are resolved and reversal of previously recorded amounts is not probable. These fees are recognized when only it is determined that they will be collected.

Interest income is recognized as earned.

*(f) Taxes*

The Company is a limited liability company that is treated as a disregarded entity for U.S. tax purposes, and as such, is not subject to federal or state income taxes. The Company is not subject to, and does not intend to enter into, a tax sharing agreement. Additionally, the Company has not paid or received any tax reimbursements, nor does it intend to pay or receive such reimbursements in the future. The income and expenses of the Company are included in the income tax returns filed by the Company's ultimate parent, BNY Mellon. As a result, no provision for federal or state income tax is included in the accompanying financial statements.

*(g) Contingencies*

The Company accrues for estimated costs, including, if applicable, legal costs, when it is probable that a loss has been incurred and the costs can be reasonably estimated. The status of contingencies is reviewed periodically and accruals, if any, are adjusted to reflect the impact of current developments. As of December 31, 2021, there were no accruals for contingencies.

**2. Related Party Activities**

The Company has an Expense Sharing Agreement with HMI to provide staff, facilities, equipment, supplies and other administrative services. The fees are based upon the percentage of time, space or usage allocated to the Company by HMI. Between January 1, 2021 and April 30, 2021, the Company was charged a monthly rate of \$9,109, of which \$7,457 was for staff allocation. Due to staffing changes, on August 26th, 2021 the agreement was amended with an effective date of May 1, 2021, and the monthly administrative services rate changed to \$8,910, of which \$7,259 is for staff allocation. The total amount charged under this contract during fiscal year 2021 amounts to \$107,716 of which \$87,900 is for staff allocations. The amount due to the BNY Mellon as of December 31, 2021 was \$8,910.

BNY Mellon pays vendor invoices on behalf of the Company and is reimbursed on the next business day. The amount due as of December 31, 2021 was \$1,333.

**HedgeMark Securities, LLC**  
**(A Wholly-Owned Subsidiary of HedgeMark International, LLC)**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2021**

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The Company also has a shared service agreement with BNY Mellon to provide legal, compliance, accounting services, and technology infrastructure. During fiscal year 2021, BNY Mellon charged the Company \$62,769 under this contract, which is included in the compensation and benefits financial statement caption. The fees were determined based upon estimated time allocations and pre-determined rates for services provided by BNY Mellon. The balance due to BNY Mellon under this contract as of December 31, 2021 was \$9,632.

HMI made no capital contributions made in 2021.

**3. Net Capital Requirements**

Pursuant to its Membership Agreement with the Financial Industry Regulatory Authority, Inc. (“FINRA”), the Company is subject to the SEC Rule 15c3-1(a)(2)(vi), which requires the maintenance of minimum net capital of \$5,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2021, the Company had net capital of \$1,187,601 and an aggregate indebtedness to net capital ratio of 1:56.

**4. Accounting for Uncertainty in Income Taxes**

The authoritative guidance on accounting for and disclosure of uncertainty in tax positions requires the Company to determine whether a tax position is more-likely-than-not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the tax amount recognized in the financial statements is the largest amount that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

As of December 31, 2021, the Company determined there were no material uncertain tax positions requiring recognition, measurement or disclosure on the results of operations. The Company’s conclusions regarding tax positions will be subject to review and may be adjusted at a later date based on factors including, but not limited to, on-going analyses of tax laws, regulations and interpretations thereof.

**5. Subsequent Event**

The Company has evaluated the need for disclosures and/or adjustments to the financial statements resulting from subsequent events through February 25, 2022, the date the financial statements were available to be issued. Innocap Investment Management (“Innocap”) has agreed to acquire the Company, HedgeMark International and its other subsidiaries from BNY Mellon in exchange for a combination of cash and Innocap shares. There were no other subsequent events that necessitated disclosures and/or adjustments to the financial statements.

**Schedule I**  
**HedgeMark Securities, LLC**  
**(A Wholly Owned Subsidiary of HedgeMark International, LLC)**  
**Computation of Net Capital Under Rule 15c3-1 of the Securities and**  
**Exchange Commission**

	<b>December 31,</b>
	<b>2021</b>
<b>Total aggregate indebtedness</b>	\$ <u>21,198</u>
Net capital	
Paid-in-Capital	\$ 3,627,599
Retained earnings	<u>(2,222,718)</u>
<b>Total capital</b>	\$ 1,404,881
Deductions:	
Nonallowable assets:	
Cash - affiliated bank account	\$ 126,160
Client Receivables greater than 30 days	38,671
Prepaid and Other Assets	<u>28,599</u>
<b>Total nonallowable assets</b>	\$ 193,430
Other deductions and/or charges	23,850
<b>Net capital</b>	\$ 1,187,601
Computation of basic net capital requirement	
Minimum net capital required under the aggregate indebtedness standard	\$ 1,413
Minimum dollar net capital requirement of reporting broker-dealer	\$ 5,000
Net capital required	\$ 5,000
Net excess capital	\$ 1,182,601
Ratio of aggregate indebtedness to net capital	1:56

No material differences exist between the above computation and the computation included in the Company's unaudited December 31, 2021 FOCUS report filed on January 26, 2022.

**Schedule II**  
**(A Wholly Owned Subsidiary of HedgeMark International, LLC**  
**Computation for Determination of Reserve Requirements and**  
**Information Relating to the Possession or Control Requirements for**  
**Brokers and Dealers Pursuant to Rule 15c3-3 under the**  
**Securities Exchange Act of 1934**

HedgeMark Securities, LLC is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because the Company limits its business activities exclusively to the private placement of securities and selling interests in unregistered private investment funds, and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4 and/or funds received and promptly transmitted for effecting transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company); (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.”

### **HedgeMark Securities, LLC Exemption Report**

HedgeMark Securities, LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. §240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

- (1) The Company does not claim an exemption under paragraph (k) of 17 C.F.R. § 240.
- (2) The Company is filing this Exemption Report relying on Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because the Company limits its business activities exclusively to the private placement of securities and selling interests in unregistered private investment funds, and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, (other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4 and/or funds received and promptly transmitted for effecting transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company); (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

HedgeMark Securities, LLC

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I, Joyetta Satiah, swear (or affirm) that, to my best knowledge and belief, this Exemption Report is true and correct.

**By:**  
Joyetta Satiah, CPA  
FINOP/Controller

**February 25, 2022**

Based upon the Securities Exchange Commission's staff statement and difficulties arising from Covid-19, HedgeMark Securities LLC is making the annual audit report filing without notarization



KPMG LLP  
345 Park Avenue  
New York, NY 10154-0102

## Report of Independent Registered Public Accounting Firm

To the Member and the Managing Director  
HedgeMark Securities, LLC:

We have reviewed management's statements, included in the accompanying HedgeMark Securities, LLC Exemption Report (the Exemption Report), in which (1) HedgeMark Securities, LLC (the Company) did not claim an exemption under paragraph (k) of 17 C.F.R. § 240.15c3-3 and (2) is filing the Exemption Report pursuant to footnote 74 of SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 because the Company limits its business activities exclusively to the private placement of securities and selling interests in unregistered private investment funds and the Company did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers, other than money or other consideration received and promptly transmitted in compliance with paragraph (a) or (b)(2) of Rule 15c2-4 and/or funds received and promptly transmitted for effecting transactions via subscriptions on a subscription way basis where the funds are payable to the issuer or its agent and not to the Company; did not carry accounts of or for customers; and did not carry PAB accounts (as defined in Rule 15c3-3) (together, the exemption provisions). We have also reviewed management's statements, included in the Exemption Report, in which the Company stated that it met the identified exemption provisions throughout the year ended December 31, 2021 without exception. The Company's management is responsible for compliance with the exemption provisions and its statements.

Our 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 the Company's compliance with the exemption provisions. 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, we do not express such an opinion.

Based on our review, we are 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, pursuant to footnote 74 of SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5.

**KPMG LLP**

New York, New York  
February 25, 2022