

CONSOLIDATED AUDIT TRAIL, LLC

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED DECEMBER 31, 2020 AND
THE PERIOD FROM AUGUST 29, 2019 (INCEPTION)
THROUGH DECEMBER 31, 2019**

CONSOLIDATED AUDIT TRAIL, LLC

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AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairman, Operating Committee
Consolidated Audit Trail, LLC

We have audited the accompanying financial statements of Consolidated Audit Trail, LLC (a Delaware Limited Liability Company), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and cash flows for the year ended December 31, 2020 and the period from August 29, 2019 (inception) through December 31, 2019, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Consolidated Audit Trail, LLC as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year ended December 31, 2020 and the period from August 29, 2019 (inception) through December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

New York, New York
May 28, 2021

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

ASSETS

	December 31,	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 6,385,235	\$ 1,271,661
Developed technology, net of accumulated amortization of \$4,370,170 and \$402,532, respectively	28,949,180	14,214,500
Due from affiliate	-	391,880
Prepaid expenses	569,390	560,266
Total Assets	\$ 35,903,805	\$ 16,438,307

LIABILITIES AND NET DEFICIT WITHOUT RESTRICTIONS

Liabilities:		
Accounts payable and accrued expenses	\$ 25,781,366	\$ 10,428,627
Notes payable to SROs (members)	111,496,107	23,277,938
Total Liabilities	137,277,473	33,706,565
Commitments and Contingencies (Note 5)		
Net Deficit Without Restrictions	(101,373,668)	(17,268,258)
Total Liabilities and Net Deficit Without Restrictions	\$ 35,903,805	\$ 16,438,307

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM
AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019

	For the Year Ended December 31, 2020	Period from August 29, 2019 (inception) through December 31, 2019
Revenues	\$ -	\$ -
Operating Expenses:		
Technology costs	71,106,488	14,366,284
Legal	6,531,202	1,774,196
Amortization of developed technology	3,967,638	402,532
Consulting	1,264,646	392,350
Insurance	966,974	320,152
Professional and administration	607,868	75,549
Public relations	93,803	25,400
Total operating expenses	<u>84,538,619</u>	<u>17,356,463</u>
Interest Income	<u>8,715</u>	<u>-</u>
Change in Net Deficit from Operating Activities	<u>(84,529,904)</u>	<u>(17,356,463)</u>
Capital Activities:		
Contributions from SROs (members)	424,494	88,205
Change in Net Deficit from Capital Activities	<u>424,494</u>	<u>88,205</u>
Change in Net Deficit Without Restrictions	<u>(84,105,410)</u>	<u>(17,268,258)</u>
Net Deficit Without Restrictions, beginning of year/period	<u>(17,268,258)</u>	<u>-</u>
Net Deficit Without Restrictions, end of year/period	<u><u>\$ (101,373,668)</u></u>	<u><u>\$ (17,268,258)</u></u>

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED DECEMBER 31, 2020 AND THE PERIOD FROM
AUGUST 29, 2019 (INCEPTION) THROUGH DECEMBER 31, 2019**

	For the Year Ended December 31, 2020	Period from August 29, 2019 (inception) through December 31, 2019
Cash Flows from Operating Activities:		
Change in net deficit from operating activities	\$ (84,529,904)	\$ (17,356,463)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Amortization of developed technology	3,967,638	402,532
Technology costs assumed from affiliate	-	4,081,392
(Increase)/decrease in:		
Due from affiliate	391,880	(391,880)
Prepaid expenses	(9,124)	(560,266)
Increase in:		
Accounts payable and accrued expenses	13,407,267	10,428,627
Total Adjustments	<u>17,757,661</u>	<u>13,960,405</u>
Net cash used in operating activities	<u>(66,772,243)</u>	<u>(3,396,058)</u>
Cash Flows from Investing Activities:		
Investment in developed technology	<u>(16,756,846)</u>	<u>(10,283,699)</u>
Net cash used in investing activities	<u>(16,756,846)</u>	<u>(10,283,699)</u>
Cash Flows from Financing Activities:		
Proceeds from notes payable to SROs (members)	88,218,169	14,863,213
Contributions from SRO (member)	424,494	88,205
Net cash provided by financing activities	<u>88,642,663</u>	<u>14,951,418</u>
Net Increase in Cash	5,113,574	1,271,661
Cash:		
Beginning of year/period	<u>1,271,661</u>	-
End of year/period	<u>\$ 6,385,235</u>	<u>\$ 1,271,661</u>
Supplemental Schedule of Non-Cash Operating Activity:		
Technology costs assumed from affiliate	<u>\$ -</u>	<u>\$ 4,081,392</u>
Supplemental Schedule of Non-Cash Investing Activity:		
Investment in developed technology included in accounts payable	<u>\$ 1,945,472</u>	\$ -
Investment in developed technology transferred from affiliate	<u>\$ -</u>	<u>\$ 4,333,333</u>
Supplemental Schedule of Non-Cash Financing Activity:		
Notes payable transferred from affiliate	<u>\$ -</u>	<u>\$ 8,414,725</u>

See Notes to the Financial Statements.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION

Securities and Exchange Commission Rule 613

Effective October 1, 2012, the Securities and Exchange Commission (“SEC”) adopted Rule 613, under the Securities Exchange Act of 1934 (“Rule 613”) to create a consolidated audit trail (the “CAT System”) that would allow regulators to efficiently and accurately track all activity throughout the U.S. markets in National Market System (“NMS”) securities. Among other things, the rule required the national securities exchanges and the Financial Industry Regulatory Authority (“FINRA”), collectively the self-regulatory organizations, (“SROs” or “members”) to jointly submit a plan, called an NMS plan, to create, implement and maintain a consolidated audit trail of the NMS activity. Rule 613 specifies the type of data to be collected and when the data is to be reported to a central repository.

On September 30, 2014, the SROs submitted to the SEC the proposed NMS plan in accordance with Rule 613, which was eventually amended and replaced in its entirety on February 27, 2015 with the amended and restated CAT NMS Plan (“CAT NMS Plan”). On November 15, 2016, the SEC voted to approve the amended and restated CAT NMS Plan. Subsequent to the SEC’s approval of the CAT NMS Plan, CAT NMS, LLC (“CAT NMS”) was formed by the SROs in response to SEC Rule 613 to create, implement and maintain the CAT System.

Formation and Description of Consolidated Audit Trail, LLC

On August 29, 2019, the SROs formed a new Delaware limited liability company, Consolidated Audit Trail, LLC (the "Organization" or "CAT LLC"), an exempt organization under Internal Revenue Code (“IRC”) Section 501(c)(6), for the purpose of conducting activities relating to the CAT System. Pursuant to an amendment to the CAT NMS Plan filed with the SEC on August 29, 2019, the limited liability company agreement of CAT LLC now serves as the CAT NMS Plan. The Organization shall continue in perpetuity, unless dissolved as outlined in the Organization’s operating agreement. The Organization’s sole members are the SROs. The SROs as members have the same rights, powers, preferences and privileges, and are subject to the same restrictions, qualifications and limitations. Each SRO is entitled to one vote, and has an equal interest in the Organization.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION (CONTINUED)

Formation and Description of Consolidated Audit Trail, LLC (Continued)

To develop the CAT System and pay for operating and support expenditures of the Organization, the Organization is funded by each of the SROs through notes payable (Note 4). Once the SEC approves a formalized fee structure filed by the SROs, industry members, defined in the CAT NMS Plan as members of a national securities exchange or association (“Industry Members”), will be required to pay such fees to the Organization. The fees established will be filed with the SEC under Section 19(b) of the Securities Exchange Act of 1934. In March 2021, the SROs filed a formalized fee structure with the SEC. As of the date of the audited financial statements, the fee structure has not been approved by the SEC.

The Organization has formed an operating committee (the “Operating Committee”) to manage the Organization. The Operating Committee shall have the general charge and supervision of the business and shall be the sole manager of the Organization. The Operating Committee is comprised of one voting member and one alternate member from each of the SROs, with one elected Chair, who will serve a two-year term. No later than three months prior to the expiration of the then current term, the Operating Committee will elect a successor. No person shall serve as Chair for more than two successive full terms. Actions of the Operating Committee are outlined in the Organization’s operating agreement.

In May 2020 and July 2019, new SROs were admitted to the Organization for participation fees of \$424,494 and \$88,205, respectively, which balances have been recorded as contributions in the accompanying statements of activities.

Effective December 17, 2020, CAT NMS was dissolved and ceased operations.

Plan Processor Agreement

Effective March 29, 2019 (the “Effective Date”), FINRA CAT, an affiliate of FINRA, and CAT NMS entered into a Consolidated Audit Trail Plan Processor Agreement (“FINRA PPA”), to create, implement and maintain a consolidated audit trail with respect to the trading of national market system securities and which has been extended to OTC equity securities as approved by the SEC. Such FINRA PPA was assigned to the Organization on August 30, 2019 pursuant to an Assignment and Assumption Agreement (Note 4).

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION BACKGROUND AND DESCRIPTION (CONTINUED)

Plan Processor Agreement (Continued)

Beginning with the initiation of the billing of Industry Members, the FINRA PPA provides for the Organization to retain and not transfer or otherwise distribute any profits, revenue or other funds it has or receives, until it has built up a reserve, prior to the first anniversary of the Effective Date of at least \$2,000,000 and, after the first anniversary of the Effective Date, a reserve of at least \$6,000,000 and, thereafter, shall maintain such reserve during the term to be used as a non-exclusive source to fund its payment obligations under the FINRA PPA.

The initial term of the FINRA PPA is for seven years and shall be automatically renewed for successive three-year periods, unless terminated, and provides for fixed price recurring operating fees, milestone fees, and variable fees as defined, until 2029 (Note 5).

Risks and Uncertainties

The Organization's principal purpose is to create, implement and maintain a consolidated audit trail pursuant to Rule 613. The Organization has developed and continues to develop technology to meet this principal purpose. The Organization is subject to risks and uncertainties that such technology may not ultimately meet its required functionality and intended purpose.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of the Organization have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and are presented pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 958, *Not-for-Profit Entities*.

Net assets of the Organization are classified based upon the existence or absence of imposed restrictions. The net assets of the Organization are not subject to any restrictions and therefore are available for the general operations of the Organization.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions involved in preparing the financial statements include assumptions related to developed technology, specifically the estimated useful life and commencement date assigned to the components of the asset and the assessment of potential impairment. Actual results could differ from those estimates.

Program Services and Supporting Activities

Program services consist of the application development stage costs of the developed technology; a portion of which costs have been capitalized and a portion have been recorded as operating expenses. Expenses relating to supporting activities are presented by their natural expense classification in the accompanying statements of activities.

Developed Technology

The developed technology asset, which represents capitalizable application development stage costs incurred in the development of the CAT System, is stated at cost. At the inception of the FINRA PPA, the developed technology was in the application development stage and, accordingly, such costs were capitalized. Application development stage costs should be amortized over the term of the associated developed technology on a straight-line basis commencing at the point when the software is ready for its intended use, after all substantial testing is completed and ending at the expiration of the initial contract term. The Organization evaluates the remaining useful life of the developed technology asset that is being amortized each reporting period to determine whether events or circumstances warrant a revision to the remaining period of amortization. If the estimate of the remaining life is changed, the remaining carrying amount of the developed technology assets will be amortized prospectively over the revised remaining useful life. Preliminary project stage costs and developed technology operating costs are expensed in the period incurred (Note 3). Capitalized developed technology is being amortized on a straight-line basis over the initial seven-year term of the FINRA PPA.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews the carrying value of its long-lived assets, namely the developed technology asset, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. When it is no longer probable that software being developed will be completed and placed in service, the asset shall be reported at the lower of the carrying amount or fair value, if any. Indications that the software may no longer be expected to be completed and placed in service include circumstances when the software is not expected to provide substantive service potential or significant changes are made to the software. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value. There were no impairment losses during the year ended December 31, 2020 and the period from August 29, 2019 (inception) through December 31, 2019.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC section 501(c)(6), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated business income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. In addition, the Organization has not recorded a provision for income taxes as it has no material tax liability from unrelated business income activities.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements

Adopted

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which affects virtually all aspects of an entity's revenue recognition. The core principle of the new standard is that revenue should be recognized to depict the transfer of promised goods or service to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In May 2020, the FASB amended the effective date of the adoption of Topic 606 by one year, effective for the Organization's 2020 fiscal year. The adoption of ASU 2014-09 in 2020 did not have an effect on the Organization's financial statements, as the Organization has not to-date recognized any revenues.

Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. The amendments in this ASU establish a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In May 2020, the FASB amended the effective date of the adoption of ASU 2016-12 by one year, effective for the Organization's 2022 fiscal year. The Organization is evaluating the impact of ASU 2016-02 on the financial statements.

Available Resources and Liquidity

The Organization has incurred a significant deficit during the year ended December 31, 2020, with a large cumulative net deficit as of December 31, 2020. Its financial asset consists of cash of \$6,385,235 which is available to meet the Organization's operational needs.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Through an ongoing budgeting process, the Operating Committee reviews projected expenditures and funds the Organization's operating needs through the issuance of promissory notes to the SROs. To mitigate potential future cash shortfalls and meet obligations arising over the next twelve months, including one year beyond the issuance of the financial statements, the SROs have agreed to continue to fund the Organization through the issuance of promissory notes payable.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEVELOPED TECHNOLOGY AND TECHNOLOGY COSTS

Developed Technology

Developed technology, created, implemented and maintained by FINRA CAT, an affiliate of FINRA, pursuant to the FINRA PPA, consists of the following:

	December 31, 2020	December 31, 2019
Developed technology	\$ 33,319,350	\$ 14,617,032
Less: Accumulated amortization	<u>(4,370,170)</u>	<u>(402,532)</u>
	<u>\$ 28,949,180</u>	<u>\$ 14,214,500</u>

Amortization expense of developed technology was \$3,967,638 and \$402,532 for the year ended December 31, 2020 and for the period from August 29, 2019 (inception) through December 31, 2019, respectively.

The estimated amortization expense for the next five years is as follows:

<u>Years Ending December 31,</u>	
2021	\$ 3,521,133
2022	4,924,753
2023	6,320,703
2024	6,338,020
2025	6,320,703

Prior to formation of the Organization, CAT NMS incurred certain costs related to the CAT System under the FINRA PPA. Such costs were transferred to the Organization pursuant to the Assignment and Assumption Agreement dated August 30, 2019 (Note 4).

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEVELOPED TECHNOLOGY AND TECHNOLOGY COSTS (CONTINUED)

Technology Costs

In addition to the above developed technology costs, for the year ended December 31, 2020 and for the period from August 29, 2019 (inception) through December 31, 2019, the Organization incurred the following technology costs, inclusive of costs transferred from CAT NMS (Note 4):

	For the Year Ended December 31, <u>2020</u>	Period from August 29, 2019 (inception) through December 31, <u>2019</u>
Cloud hosting services	\$ 43,650,775	\$ 3,915,458
Milestone fees	14,400,000	3,500,000
Operating fees	10,162,628	5,005,960
Data service fees	2,770,003	1,848,866
Change request fees	<u>123,082</u>	<u>96,000</u>
	<u>\$ 71,106,488</u>	<u>\$ 14,366,284</u>

NOTE 4 - RELATED PARTY TRANSACTIONS

Notes Payable SROs (Members)

The Organization is funded by each of the SROs through secured, non-interest bearing notes payable. The notes payable are secured by the assets of the Organization. The notes are payable on demand, if requested in writing by the holders of the notes representing at least two-thirds of the outstanding principal amount of indebtedness represented by all notes. Any repayment shall be concurrent with a corresponding pro rata repayment of all other notes. The SROs have agreed to continue to fund the Organization and not to call the outstanding notes payable due from the Organization through at least one year and one day beyond May 28, 2021.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

Notes Payable SROs (Members) (Continued)

The notes payable liability is comprised of the following as of December 31, 2020 and 2019:

Notes payable to SROs (members):

November 2019 issuance date	\$ 14,863,213
Notes payable transferred from affiliate	<u>8,414,725</u>
Balance as of December 31, 2019	23,277,938
January 2020 issuance date	22,711,255
April 2020 issuance date	21,626,000
July 2020 issuance date	16,580,914
October 2020 issuance date	<u>27,300,000</u>
Balance as of December 31, 2020	<u>\$111,496,107</u>

Assignment and Assumption Agreement

CAT NMS incurred various costs related to the CAT System under the FINRA PPA from the effective date of March 29, 2019 through July 2019. In August 2019, subsequent to the formation of the Organization, pursuant to an Assignment and Assumption Agreement effective August 30, 2019, the total costs incurred by CAT NMS under the FINRA PPA, including the capitalized developed technology asset, technology costs, as well as the notes payable used to fund such costs were transferred to the Organization. Accordingly, the aforementioned costs and the related notes payable, are reflected in the accompanying financial statements.

These costs and the related notes payable to SROs (members) are summarized as follows:

Developed technology, net of accumulated amortization of \$119,298	\$ 4,214,035
Technology costs, inclusive of amortization expense	<u>4,200,690</u>
	<u>\$ 8,414,725</u>
Notes payable to SROs (members)	<u>\$ 8,414,725</u>

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - RELATED PARTY TRANSACTIONS (CONTINUED)

Due to Related Party

The net amount due to FINRA CAT was \$25,130,360 and \$5,500,000 as of December 31, 2020 and 2019, respectively.

Guarantee of Affiliate Notes Payable

The Organization has guaranteed the payment obligations under the notes payable made by CAT NMS to the SROs for costs related to the CAT System for the period prior to the creation of the Organization, in the aggregate amount of \$112,733,082 and \$109,233,082 as of December 31, 2020 and 2019, respectively. The Organization has not been called to pay any of the guaranteed amounts as of May 28, 2021.

Due from Affiliate

The amount due from CAT NMS was \$391,880 as of December 31, 2019 and is reflected in the due from affiliate in the statements of financial position. There were no amounts due from CAT NMS as of December 31, 2020.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Cash Credit Concentration Risk

The Organization maintains cash accounts with a bank located in New York. The excess of deposit balances over amounts that would have been covered by federal insurance was approximately \$6,135,000 and \$1,022,000 at December 31, 2020 and 2019, respectively.

FINRA CAT Commitments

The FINRA PPA became effective on March 29, 2019, with an initial term of seven years. The FINRA PPA provides for build and operating milestone fees, as defined, of \$16,500,000, \$20,700,000, and \$1,500,000 for the years ending December 31, 2019, 2020, and 2021, respectively, and provides for recurring operating fees, as defined. Such recurring operating fees are also subject to change requests as outlined in the FINRA PPA.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

FINRA CAT Commitments (Continued)

The minimum recurring operating fees and change request fees, through the end of the initial seven-year term are as follows:

<u>Years Ending December 31,</u>	<u>Recurring Operating Fees</u>	<u>Change Request Fees</u>	<u>Total</u>
2021	\$ 23,700,000	\$ 1,902,000	\$ 25,602,000
2022	24,200,000	1,829,000	26,029,000
2023	24,700,000	1,611,000	26,311,000
2024	25,200,000	1,611,000	26,811,000
2025	25,800,000	1,611,000	27,411,000
2026	<u>6,587,500</u>	<u>402,750</u>	<u>6,990,250</u>
	<u>\$ 130,187,500</u>	<u>\$ 8,966,750</u>	<u>\$ 139,154,250</u>

In addition, the FINRA PPA provides for other variable fees, primarily consisting of cloud hosting services and customer/account database fees, which commenced in 2019 (Note 3).

COVID-19

In March 2020, the World Health Organization declared the outbreak of a novel strain of coronavirus (“COVID-19”) as a pandemic, which continues to spread throughout the United States, as well as in various countries around the world. The coronavirus and its widespread impact on conducting business has had, and may continue to have, a significant effect on financial markets and business activity. However, management does not believe that COVID-19 will have a material effect on the Organization.

NOTE 6 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 28, 2021, which is the date the financial statements were issued.

Funding

In January 2021, the Organization has been funded by issuing additional notes payable to the SROs in the aggregate amount of \$31,912,554.

CONSOLIDATED AUDIT TRAIL, LLC

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 - SUBSEQUENT EVENTS (CONTINUED)

Funding (Continued)

In April 2021, the Organization has been funded by issuing additional notes payable to the SROs in the aggregate amount of \$41,370,645 of which \$37,310,749 have been received and \$4,059,896 remains outstanding as of May 28, 2021.