Apex Clearing Corporation

Statement of Financial Condition

June 30, 2013

Unaudited

Apex Clearing Corporation is a member of FINRA, NYSE MKT LLC, NYSE Arca, Inc., BATS Y Exchange, Inc., BATS Z Exchange, Inc. BOX Options Exchange LLC, C2 Options Exchange, Incorporated, Chicago Board Options Exchange, Chicago Stock Exchange, EDGA Exchange, Inc., EDGX Exchange, Inc., International Securities Exchange, NASDAQ OMX BX Inc., NASDAQ OMX PHLX, Inc., NASDAQ Stock Market, National Stock Exchange, The Options Clearing Corporation., Fixed Income Clearing Corporation, Municipal Securities Rulemaking Board, National Securities Clearing Corporation, The Depository Trust Company, Euroclear, and Securities Investor Protection Corporation (SIPC).

Index

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Assets		
Cash and cash equivalents	$	56,555,509
Cash - segregated under federal regulations		1,180,961,139
Securities -segregated under federal regulations		1,200,132,601
Receivable from customers and non-customers, net of allowance of $5,807,556 (Note 6)		557,571,700
Deposits with clearing organizations (including securities at fair value of $126,174,761)		99,928,922
Receivable from broker-dealers and clearing organizations		80,794,946
Securities borrowed		38,532,714
Other assets		8,757,565
Fixed assets, less accumulated depreciation of $225,125		1,054,443
Total Assets	**$**	**3,224,289,539**
Liabilities and Stockholder's Equity		
Payable to customers and non-customers	$	2,862,071,377
Payable to broker-dealers and clearing organizations		73,361,876
Securities loaned		99,830,685
Payable to correspondents		19,685,186
Securities sold, not yet purchased, at fair value		153,505
Accounts payable, accrued expenses, contingencies and other liabilities		47,038,000
Total Liabliities		**3,102,140,629**
Subordinated borrowings (Note 8)		35,000,000
Stockholder's Equity		**87,148,910**
Total Liabilities and Stockholder's Equity	**$**	**3,224,289,539**

See accompanying notes.

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Apex Clearing Corporation (the "Company"), is a clearing broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") as well as being a participant in the Securities Investor Protection Corporation ("SIPC"). The Company is organized as a Corporation. All of the common stock and voting equity interests of the Company is owned by Apex Clearing Holdings (the "Parent"). The Company provides clearing, execution, prime brokerage, margin lending and other back office services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Use of Estimates</u> - The financial statements have been prepared in accordance with accounting principles general accepted in the United States of America ("U.S. GAAP"). In preparation of financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable. Actual results could differ from these estimates.

<u>Cash and Cash Equivalents</u> – The Company considers cash equivalents to be cash, cash in depository accounts with other financial institutions, money market funds and highly liquid investments with original maturities at time of purchase of less than 90 days.

<u>Cash and Securities – Segregated Under Federal Regulations</u> – Pursuant to rule 15c3-3 of the Securities Exchange Act of 1934, the Company has both cash and qualified securities segregated in special reserve bank accounts.

<u>Deposits with Clearing Organizations</u> – The Company has cash or collateral deposited with central clearing agencies for the purposes of supporting clearing and settlement activities. These deposits are managed daily and, if applicable, marked to fair value daily for the purposes of financial statement presentation. Customer collateral pledged is not reflected on the Statement of Financial Condition.

<u>Securities Borrowed and Securities Loaned</u> – Securities borrowed and securities loaned transactions are generally reported as collateralized financings and are recorded at the amount of cash collateral advanced or received, except where letters of credit or other securities are used as collateral. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives in the form of cash an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and securities loaned on a daily basis, with additional collateral obtained or refunded as required.

<u>Fixed Assets</u> – The Company holds assets that are carried at cost net of accumulated depreciation and amortization and consist primarily of computer equipment of $679,369 and Software of $289,053. Depreciation and amortization is generally provided on a straight-line basis using estimated useful lives of three to five years. Fixed Asset balances are reviewed annually for impairment. In management's opinion, there is no such impairment at June 30, 2013. Accumulated depreciation as of June 30, 2013 was $225,125.

<u>Securities Owned and Securities Sold, Not Yet Purchased</u> – The Company has reported its investments on a trade-date basis in securities owned and securities sold, not yet purchased, and records such investments at fair value in the Statement of Financial Condition.

<u>Contingencies</u> - The Company recognizes liabilities that it considers probable and can be reasonably estimable as contingencies and accrues the related costs it believes are sufficient to meet the exposure to

cover defense costs and litigation claims. In the normal course of business, the Company is subject to correspondent and customer lawsuits, arbitrations, claims, and other legal proceedings. Management cannot predict with certainty the outcome of pending legal proceedings. A substantial adverse judgment or other resolution regarding the proceedings could have a material adverse effect on the Company's financial condition.

Payable To Correspondents – The Company collects commissions and other fees from end customers each month. The Company calculates and distributes amounts due to correspondent introducing brokers ("Correspondent"), as stipulated by individual agreements with each Correspondent.

Receivable from and Payable To Broker- Dealers – Amounts receivable from and payable to broker-dealers and clearing organizations at June 30, 2013 consist of the following:

	Receivable	Payable
Securities failed-to-deliver/receive	$49,177,996	$73,142,606
Securities purchased under agreements to resell	29,996,109	- 0 -
Other fees and commissions receivable/payable	1,620,841	219,270
Total	$80,794,946	$73,361,876

Transactions involving securities purchased under agreements to resell (reverse repurchase agreements or reverse repos) are accounted for as collateralized agreements. The Company enters into reverse repurchase agreements to acquire securities to settle certain security obligations. It is the policy of the Company to obtain possession of collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral when appropriate. Interest on such contract amounts is accrued and is included in the Statement of Financial Condition in Receivables from Broker Dealers and Clearing Organizations. Securities failed to deliver or receive represent the contract value of the amount failed to be received or delivered as of the date of the Statement of Financial Condition.

Receivable from and Payable To Customers – Accounts receivable and payable to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Receivables and payables are reflected on the Statement of Financial Condition on a settlement-date basis. The Company recognizes an allowance for amounts deemed not collectible (see Note 6).

Translation of Foreign Currencies – The Company has a minimal amount of client assets and liabilities denominated in foreign currencies. The assets and liabilities are translated at the date of the Statement of Financial Condition rate of exchange. The Company does not hedge its foreign exchange exposure.

Income Tax – The Company is included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the Company was to file on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. 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. When applicable, a valuation allowance is established to reduce any deferred tax asset when it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Operating Leases –Minimum lease payments are $607,609 for 2013, $1,087,164 for 2014, $924,883 for 2015, and $1,737,100 through 2018. If applicable, amortization of leasehold improvements is provided evenly over the lesser of the estimated useful lives or expected lease terms.

Collateral - The Company receives collateral in connection with margin lending, securities borrowed, and reverse repo transactions. Under many agreements, the Company is permitted to pledge the securities held as collateral, use the securities to enter into securities-lending arrangements, or deliver the securities to counterparties to cover short positions. At June 30, 2013, the Company had access to $744,771,706 of collateral from the margin lending book, and an additional $37,128,665 from securities borrowed, and $29,616,496 from reverse repos. At June 30, 2013 the Company had utilized $94,163,859 of collateral to support securities lending contracts.

Recent Accounting Pronouncements

In December 2011, the FASB issued ASU 2011-11, *Balance Sheet (Topic 210): Disclosures About Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. The adoption of this guidance may expand existing disclosure requirements, which the Company is currently evaluating.

NOTE 3 – CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS

At June 30, 2013, cash and securities segregated in special reserve accounts under Rule 15c3-3 of the Securities and Exchange Act of 1934 totaled $2,381,093,740, which is comprised of, cash of $1,180,961,139, and U.S. Treasury bills with a market value of $1,200,132,601. Of this amount, $2,300,037,524 was for the exclusive benefit of customers and $81,056,216 was for the exclusive benefit of proprietary accounts of introducing brokers.

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the exit 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. In determining fair value, the Company uses various valuation approaches, including market, income and/or cost approaches. The fair value model establishes a hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy increases the consistency and comparability of fair value measurements and related disclosures by maximizing the use of observable inputs and minimizing the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the assets or liabilities based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy prioritizes the inputs into three broad levels based on the reliability of the inputs as follows:

Level 1 – Inputs are quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Valuation of these instruments does not require a high degree of judgment, as the valuations are based on quoted prices in active markets that are readily and regularly available.

Level 2 – Inputs other than quoted prices in active markets that are either directly or indirectly observable as of the measurement date, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. These financial instruments are valued by quoted prices that are less frequent than those in active markets or by models that use various assumptions that are derived from or supported by data that is generally observable in the marketplace. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 – Valuations based on inputs that are unobservable and not corroborated by market data. These financial instruments have significant inputs that cannot be validated by readily determinable data and generally involve considerable judgment by management.

The following is 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:

Government, municipal and agency securities

Government securities, such as Treasuries, are valued using third party pricing services. U.S. government securities are categorized in Level 1 of the fair value hierarchy.

Agency securities consist of agency issued debt and are valued using quoted market prices in active markets. As such, these securities are categorized in Level 1 of the fair value hierarchy.

Municipal bonds consist of debt issued by state or local governments and are valued using broker quotes in active and less active markets. These securities are categorized in Level 2 of the fair value hierarchy.

Corporate equity securities

Corporate equity securities represent exchange-traded securities and are valued based on quoted prices in active markets. If applicable, these securities are categorized in Level 1 of the fair value hierarchy.

Listed option contracts

Listed options are exchange traded and are generally valued based on quoted prices in active markets and are categorized in Level 1 of the fair value hierarchy.

Certain assets and liabilities are recorded in the financial statements at fair value, on a recurring basis, measured as follows as of June 30, 2013:

Level 1	
Cash, Cash Equivalents, and Cash Segregated Under Federal Regulations	
Cash and Cash Equivalents	$ 56,555,509
Cash Segregated Under Federal Regulations	$1,180,961,139
Total Cash, Cash Equivalents, and Cash Segregated under Federal Regulations	$ 1,237,516,648
Securities – Segregated Under Federal Regulations	
Segregated U.S Government and Agency securities	$1,200,132,601
Securities Sold, Not Yet Purchased	
Corporate Equities	$ 56,797

Deposits with Clearing Organizations	
Cash	$ 99,928,922
Other Assets	
Corporate Equities	$ 853,043
TOTAL LEVEL 1	**$ 2,538,488,011**
Level 2	
Securities Sold, Not Yet Purchased	
Municipal Bonds	$ 96,708
Receivable from broker-dealers and clearing organizations	
Securities purchased under agreements to resell	$ 29,996,109
TOTAL LEVEL 2	**$ 30,092,817**

There were no Level 3 investments as of June 30, 2013, or held during the time period Jan 1, 2013 through June 30, 2013. There were no assets transferred between Levels 1 and 2 during the time period Jan 1, 2013 through June 30, 2013.

NOTE 5 – SHARE CAPITAL

The authorized share capital of the Company is 200,000 voting shares. Par value is $0.10 per share. No shares were issued during the period January 1, 2013 through June 30, 2013.

NOTE 6 – RECEIVABLE FROM CUSTOMERS AND NON-CUSTOMERS

The Company's receivables from customers and non-customers are generally margin loans, made on a fully collateralized basis. If the value of that collateral declines, if the collateral decreases in liquidity, or margin calls are not met, the Company may consider a variety of credit enhancements, such as, including but not limited to, seeking additional collateral or guarantees. In valuing receivables that become less than fully collateralized, the Company compares the estimated fair value of the collateral, deposits, and any additional credit enhancements to the balance of the loan outstanding and evaluates the collectability based on various qualitative factors, such as, including but not limited to, the creditworthiness of the counterparty, the potential impact of any outstanding litigation or arbitration, and the nature of the collateral and available realization methods. To the extent that the collateral, the guarantees, and any other rights the Company has against the customer or the related introducing broker are not sufficient to cover any potential losses, then the Company records an allowance for doubtful accounts based on review of historical actual experience and estimated losses inherent in the accounts. In the ordinary course of business, the Company may carry an allowance for more or less than the fully unsecured or partially secured balances based on the Company's estimate of the amounts that are collectible.

The Company is subject to the SEC's Uniform Net Capital Rule ("SEC Rule 15c3-1"). For SEC rule 15c3-1, any unsecured balance in a partially secured or unsecured account net of the allowance for doubtful accounts is considered a non-allowable asset. Non-allowable assets are subtracted from ownership equity when computing net capital.

Accounts receivable from, and accounts payable to, customers and noncustomers include amounts due on cash and margin transactions. A portion of customer securities held in margin accounts with a loan balance has been deposited at our settlement bank, and the option clearing corporation. Such collateral is not reflected on the Statement of Financial Condition.

The Company, in some cases, will rely on master netting agreements or the customer agreements to net receivables and payables related to transactions on a counterparty basis. It is the Company's policy to settle these transactions on a net basis with its counterparties.

NOTE 7 – SHORT-TERM, SECURED LINES OF CREDIT AND LOANS

As of June 30, 2013, the Company's short-term bank facilities consist of two uncommitted, secured lines of credit with two banks. One of the lines of credit permits the Company to borrow in aggregate up to $125,000,000; the second line is a guidance line that permits the Company to borrow at the bank's discretion. These lines of credit bear interest at a rate that varies with the federal funds rate, have no stated expiration dates, and are repayable on demand. In general, the advance rate is not less than 80% of the collateral value posted, and the banks have the authority to not accept certain collateral, or to set concentration limits. The Company had no advances on the lines of credit at June 30, 2013.

The Company also has the ability to create short-term liquidity under stock loan arrangements. At June 30, 2013, the Company had $99,830,685 as cash received related to Securities Loaned. These arrangements bear interest at variable rates based on various factors, including market conditions and the types of securities loaned, are secured primarily by our customers' margin account securities, and are repayable on demand.

NOTE 8 – SUBORDINATED BORROWING

As of June 30, 2013, the Company has $35,000,000 principal amount of subordinated notes outstanding. On June 6, 2012 ("Commencement of Operations"), the Company entered into a $30,000,000 subordinated loan agreement ("Subordinated Note") with PEAK6 Capital Management LLC. Also as of the Commencement of Operations, the Company entered into a $5,000,000 subordinated note agreement with Apex Clearing Solutions ("ACS") ("ACS Subordinated Note"). Both the Subordinated Note and the ACS Subordinated Note bear simple interest at a rate of nine percent (9%) annually, payable on June 6 and December 5 of each year, and has a term of two years. The Subordinated Note and ACS Subordinated Note are includable when computing Net Capital under the SEC's uniform net capital rule 15c3-1. To the extent that the repayment of the subordinated loans would cause the Company to fail to be in compliance with certain regulatory minimum net capital requirements, repayment of the loans could be suspended. The fair value of the Subordinated Note and ACS Subordinated Note both approximate their carrying value due to their short-term nature.

NOTE 9 – INCOME TAXES

The components of the net deferred tax assets and liabilities as of June 30, 2013 are as follows:

Net operating loss carry-forward	1,958,799
Allowance for bad debts	2,006,640
Accrued expenses	3,028,201
Valuation allowance	(6,819,468)
Total deferred tax assets	174,172
Prepaid expenses	(79,514)
Property and equipment	(94,658)
Total deferred tax liabilities	(174,172)
Net deferred tax assets (liabilities)	0

Management assesses the available positive and negative evidence, such as future earnings, reversing temporary differences, and tax planning strategies, to estimate if sufficient future taxable income will be generated to utilize existing deferred tax assets. Based on the evaluation of these various factors, as of June 30, 2013, a valuation allowance of $6,819,468 has been recorded for the portion of the deferred tax asset that more likely than not will be realized.

The Company does not have any uncertain tax positions that would require accrual. As of June 30, 2013, the periods since Commencement of Operations remain subject to examination by various tax jurisdictions under the statute of limitations. In addition, management does not expect a significant change in uncertain tax positions during the 6 months subsequent to June 30, 2013.

NOTE 10 – FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company purchases and sells securities and pledges or receives collateral as both principal and agent. If another party to the transaction fails to fulfill its contractual obligation, the Company may incur a loss if the market value of the security is different from the contract amount of the transaction.

The Company deposits customers' margin securities with lending institutions as collateral for borrowings. If a lending institution does not return a security, the Company may be obligated to purchase the security in order to return it to its customer. In such circumstances, the Company may incur a loss equal to the amount by which the market value of the security exceeds the value of the loan from the lending institution.

In the event a customer or broker fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's or broker's obligations. The Company seeks to control the risks associated with its customer or broker activities by requiring customers and brokers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels and has established guidelines to require customers or brokers to deposit additional collateral or to reduce positions when necessary.

The Company's policy is to continually monitor its market exposure and counterparty risk. The Company does not anticipate nonperformance by counterparties and maintains a policy of periodically reviewing the credit standing of all parties, including customers, with which it conducts business.

For customers introduced on a fully disclosed basis by other broker-dealers, the Company typically has a contractual right of recovery from such introducing broker-dealers in the event of nonperformance by the customer. The Company can offset Correspondent balances if required. In general, the Company requires a risk deposit from the introducing broker-dealers. In the event the customer or introducing broker does not perform, and the associated risk deposit is not enough to cover the exposure, the Company is at risk of loss.

In addition, the Company, as agent for our customers, has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company may incur a loss if its clients do not perform and the fair value of the securities increases subsequent to June 30, 2013.

Customer Activities

The Company's customer clearance and settlement activities include the acceptance and clearance of equities and option contracts for its customers, which are primarily institutional, commercial, exchange members, and retail customers introduced by registered introducing brokers. The Company guarantees to the respective clearing houses or other brokers its customers' performance under these contracts. In accordance with regulatory requirements and market practice, the Company requires its customers to meet, at a minimum, the margin requirements established by regulatory bodies. These activities may expose the Company to off-balance-sheet risk in the event the customer is unable to fulfill its contracted obligation. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. Such margin collateral essentially operates as a good faith deposit from the customer that reduces risk to the Company in the event of failure by the customer to fulfill obligations under these contracts. The Company monitors required margin levels daily and, has established guidelines to require customers to deposit additional collateral, or to reduce positions, when necessary. Management believes that the margin deposits and collateral held at June 30, 2013 were adequate to mitigate the risk of material loss that could be created by positions held at that time.

The Company's function of providing clearing services to our customers and their related customer activities may require the Company to pledge eligible collateral with our banking partners, securities lending partners or the Options Clearing Corporation ("OCC"). In the event the counterparty is unable to meet its contractual obligation to return the pledged collateral, the Company may be exposed to the risk of acquiring the underlying securities at prevailing market. The Company and its counterparties control this risk by monitoring the market value of securities pledged on a daily basis, and by requiring adjustments of collateral levels in the event of excess market exposure.

Credit Risk

Credit risk arises from the potential inability of the counterparty to perform in accordance with the terms of open contracts. The Company's exposure to credit risk associated with counterparty nonperformance is limited to the current cost to replace all contracts in which the Company has a gain.

Concentration of Credit Risk

The Company also engages in various brokerage activities whose counterparties are primarily broker-dealers, banks, and other financial institutions. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. It is the Company's policy to periodically review the credit standing of counterparties with which it conducts business.

At June 30, 2013, there were no amounts to be indemnified to the clearing brokers for customer accounts. As of June 30, 2013, the Company did not have significant concentrations of credit risk with any one customer or counterparty, or any group of customers or counterparties.

NOTE 11 - TRANSACTIONS WITH RELATED PARTIES

The following companies are considered affiliates and therefore, related parties:

Penson Financial Services Inc. ("PFSI"): Effective at the Commencement of Operations, Parent entered a Transitional Services Agreement ("TSA") with PFSI, whereby PFSI would provide associates, office facilities, technology, processing, and other services during a transitional period. All services terminated as of January 18, 2013.

Penson Worldwide ("PWI"): The Company also utilized the TSA to secure services from NEXA Technologies ("NEXA"), a subsidiary of PWI, to provide front-end terminals for the Company's correspondents and their customers, as well as order routing and trade execution, through January 18, 2013. The Company entered a separate agreement with NEXA as of January 18, 2013, until NEXA was sold in April 2013, resulting in it no longer being a PWI related party.

PEAK6 Capital Management: At June 30, 2013, the Company had a payable of $30,000,000 plus accrued and unpaid interest of $192,329 due to PEAK6 Capital Management for the Subordinated Note.

ACS: At June 30, 2013, the Company had a payable of $5,000,000 plus accrued and unpaid interest of $32,055 from ACS for the ACS Subordinated Note. Both ACS, and its manager, PEAK6 Investments, L.P. are providing various support and other services to the Company, including to the executive and technology groups, pursuant to the terms of the Support Services Agreement dated as of June 5, 2012, between the Parent and PEAK6 Investments, L.P. (as amended, the "Support Services Agreement"), and the Parent's Limited Liability Company Agreement. As of June 30, 2013, ACS had 13 associates fully dedicated to supporting the Company. At June 30, 2013, ACC had a payable to ACS under these arrangements for an aggregate amount of $2,734,824.

OptionsHouse LLC ("OptionsHouse") – OptionsHouse is an introducing broker-dealer that entered a clearing and execution contract with the Company and maintains a common parent to ACS, PEAK6 Investments LP. The Company had a payable of $2,363,276 to OptionsHouse at June 30, 2013. OptionsHouse signed a revised three-year clearing and execution agreement effective December 1, 2012, on January 14, 2013.

NOTE 12 – EMPLOYEE BENEFIT PLAN

The Company launched and participates in a defined contribution 401(k) employee benefit plan (the "Plan") that covers substantially all employees. Under the Plan, the Company may make a discretionary contribution determined by the Board of Directors. All employees are eligible to participate in the Plan, based on meeting certain age and term of employment requirements.

NOTE 13 – CONTINGENCIES

The Company is named in various legal matters arising in the ordinary course of business. Management has accrued for matters that are considered probable and where amounts are estimable. The accrual at June 30, 2013 is estimated to be $18,154,460, of which an estimated $13,613,419 related to pre-acquisition contingencies are subject to indemnification under an Assignment and Assumption Agreement entered in to as part of the original formation of Apex Clearing Corporation.

NOTE 14 – GUARANTEES

The Company is required to disclose information about its obligations under certain guarantee arrangements. Guarantees are defined as contracts and indemnification agreements that contingently require a guarantor to make payments for the guaranteed party based on changes in an underlying security (such as an interest or foreign exchange rate, security or commodity price, an index, or the occurrence or non-occurrence of a specified event) related to an asset, liability, or equity security of a guaranteed party. They are further defined as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others. Guarantees by a clearing broker-dealer can be a reduction to regulatory net capital.

As previously discussed, the Company is a member of certain clearing organizations. The OCC is formed as a mutual in which members agree to fund another member's deficit if that member's clearing fund has been extinguished. Due the fact the OCC has not had a significant issue with a member's deficit account, we cannot estimate the guarantee obligation associated with the OCC agreement, and management believes the exposure to be remote; therefore we do not take a reduction to regulatory net capital for this agreement nor establish a reserve on the Statement of Financial Condition.

The Company is a member of various exchanges that trade and clear securities. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the organization. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the organization had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the organization. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

NOTE 15 - NET CAPITAL REQUIREMENTS

The Company has elected to use the alternative method, permitted by SEC Rule 15c3-1, which requires that the Company maintain minimum net capital, as defined, equal to the greater of 2% of aggregate debit balances as defined in the SEC's Reserve Requirement Rule (Rule 15c3-3), or, a stated minimum dollar value as defined by SEC Rule 15c3-1. At June 30, 2013, the Company had net capital of $106,553,437 and was $91,580,972 in excess of its required net capital of $14,972,465.

NOTE 16 – SIGNIFICANT SERVICE PROVIDERS

At the Commencement of Operations, the Company entered into a Master Service Agreement ("MSA") with Broadridge Financial Solutions ("Broadridge") through June 5, 2022, for the outsourced provision of back office service support. If the Company terminates the MSA for convenience the Company may be obligated to pay Broadridge an amount equal to $65,000,000, net of amortization at a fixed rate of $541,000 per month, measured at the date of termination. The contract amortizes over 10 years. Maximum exposure at June 30, 2013 was $57,967,000. Management has no expectation to terminate this agreement with Broadridge for convenience, and have not accrued any liability for this termination amount.