

Bci Securities, Inc.

Financial Statements as of December 31, 2019, and
for the Year Ended December 31, 2019, and Report
of Independent Registered Public Accounting Firm

BCI SECURITIES, INC.

TABLE OF CONTENTS

	Page
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	3
STATEMENT OF FINANCIAL CONDITION	5
STATEMENT OF OPERATIONS	6
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY	7
STATEMENT OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	22
SCHEDULE I -COMPUTATION OF NET CAPITAL PER UNIFORM NET CAPITAL RULE 15C3-1	23
SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND THE INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS FOR BROKERS OR DEALERS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934	25
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.....	26

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Bci Securities, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Bci Securities, Inc. (the "Company") as of December 31, 2019, the related statements of operations, cash flows, and changes in stockholders' equity, for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended are in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

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.

Report on Supplemental Schedules

The supplemental schedules I and II listed in the accompanying table of contents have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedules reconcile 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 schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with Rule 17a-5 under the Securities

Exchange Act of 1934. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

February 11, 2020

We have served as the Company's auditor since 2014.

BCI SECURITIES, INC.

BCI SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

AS OF DECEMBER 31, 2019

ASSETS		
Cash and cash equivalents	\$	615,839
Receivable from clearing firm		1,066,809
Financial instruments owned, at fair value		868,797
Right of use assets		693,264
Deposits with clearing organizations		250,000
Mutual fund 12b-1 fees receivable		71,722
Prepaid expense		78,273
Asset management fee receivable		52,397
Equipment, net of accumulated depreciation		42,453
Other receivables		8,984
Commissions receivable		5,274
Due from related party		5,326
Other assets		4,325
TOTAL	\$	3,763,463
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Lease liabilities	\$	710,347
Bonus payable		491,926
Accounts payable and accrued liabilities		276,521
Payable to clearing organization		153,972
Due to related party		128,939
Financial instruments sold, not yet purchased, at fair value		7,407
Total liabilities		1,769,112
Commitments and contingencies (note 10)		-
STOCKHOLDER'S EQUITY		
Common stock, \$0.01 par value -- \$1,000 shares authorized, issued and outstanding		10
Additional paid-in capital		14,601,892
Accumulated deficit		(12,607,551)
Total stockholder's equity		1,994,351
TOTAL	\$	3,763,463

See notes to the financial statements.

BCI SECURITIES, INC.

BCI SECURITIES, INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUE

Commissions	\$	705,250
Principal Transactions		664,678
Trailing fees		286,076
Asset management fees		178,905
Other income		74,839
Interest		43,376
Total revenue		1,953,124

EXPENSES

Employee compensation and benefits	2,246,711
Floor broker, exchange, and clearance fees	537,709
Referral fees - related party	449,290
Professional fees	424,076
Other general and administrative	408,605
Technology and communications	223,830
Occupancy	182,730
Audit fees	144,650
Depreciation	15,535
Loss on sale of equipment	14,991
Total expenses	4,648,127
NET LOSS	\$ (2,695,003)

See notes to the financial statements.

BCI SECURITIES, INC.

BCI SECURITIES, INC. STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2019

	Shares issued and outstanding	Common Stock	Additional Paid in Capital	Accumulated Deficit	Total
Balances December 31, 2018	1000	\$ 10	\$ 14,601,892	\$ (9,912,548)	\$ 4,689,354
Net loss				(2,695,003)	(2,695,003)
Balances December 31, 2019	1000	\$ 10	\$ 14,601,892	\$ (12,607,551)	\$ 1,994,351

See notes to the financial statements.

BCI SECURITIES, INC.

BCI SECURITIES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$	(2,695,003)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation		15,535
Loss on disposal of equipment		14,991
Noncash lease expense		17,083
Changes in operating assets and liabilities:		
Receivable from clearing firm		(64,357)
Financial instruments owned, at fair value		2,128,347
Prepaid expense		3,883
Mutual fund 12b-1 fees receivable		(25,867)
Commissions receivable		(2,578)
Asset management fee receivable		(41,430)
Other receivables		(4,202)
Other assets		(3,074)
Due from related party		(4,589)
Bonus payable		136,947
Financial instruments sold, not yet purchased, at fair value		(281,230)
Accounts payable and accrued liabilities		137,340
Payable to clearing organizations		39,903
Due to related party		109,504
Total adjustments		2,176,206
Net cash used in operating activities		(518,797)
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposition of equipment		5,252
Purchase of equipment		(16,815)
Net cash used in investing activities		(11,563)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(530,360)
CASH AND CASH EQUIVALENTS - BEGINNING		1,146,199
CASH AND CASH EQUIVALENTS - ENDING	\$	615,839

See notes to the financial statements.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Organization — Bci Securities, Inc. (the “Company”), was incorporated on July 6, 2011, in the State of Florida. The Company is owned by Banco de Credito e Inversiones (“Bci Chile and/or the “Parent”), and Bci Asesoría Financiera S.A., both of which are Chilean companies. On May 16, 2014, the Company was granted Financial Industry Regulatory Authority (“FINRA”) membership as a registered broker dealer. The Company is registered in the states of California, District of Columbia, Delaware, Florida, Georgia, Maryland, North Carolina, New Jersey, New York, Pennsylvania, and in the Commonwealth of Puerto Rico. On July 31, 2014, the Company was granted an RIA license by the Florida Office of Financial Regulation. In November 2018, the Company closed the Branch office in Chile (see note 5). As of December 31, 2019, the Company had three Branch offices open, one of which is its main office in Miami, Florida.

The Company is authorized to buy and sell equities, mutual funds, corporate debt, U.S. Government Bonds, sovereign debt and put and call options for its customers primarily residing in South America, in an agency capacity and charge a commission. The Company may enter into networking arrangements with banks, savings banks or credit unions. In addition, these arrangements may include kiosks that allow the Company to provide Bci Securities products and services at registered offices within banking institutions.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amount 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 reporting period. Actual results could differ from these estimates.

Financial Instruments Owned — Proprietary securities transactions in regular-way trades are recorded on the Trade date, as if they had settled. Profit and loss arising from all securities and commodities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Income and expenses related to customer’s securities and commodities transactions are reported on a trade date basis.

Commissions

The Company buys and sells securities on behalf of its customers pursuant to the terms of the brokerage agreement with these customers. Each time a customer enters into a buy or sell transaction, the Company charges a commission. Commissions and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. Commission, fees, and related clearing expenses are recorded on a trade-date basis. Fees, consisting principally of marketing and distribution fees, revenue participation with the Company’s clearing broker in trailing fees, and interest are recorded as earned.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Principal Transactions

The Company buys and sells securities on behalf of its customers through riskless principal transactions. Each time a customer enters into a buy or sell transaction, the Company charges a markup or markdown and earns a fee. Principal trading fees and related clearing expenses are recorded on the trade date (the date that the Company fills the trade order by finding and contracting with a counterparty and confirms the trade with the customer). The Company believes that the performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon and the risks and rewards of ownership have been transferred to/from the customer. Markup or Markdown, fees, and related clearing expenses are recorded on a trade-date basis.

Trailing Fees

The Company enters into arrangements with investment funds or other pooled investment vehicles (funds) to distribute shares to investors. The Company may receive distribution fees paid by the fund up front or over time. The Company believes that its performance obligation is the sale of securities to investors and as such this is fulfilled on the trade date. Any fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur once the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the value of the shares at future points in time as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly.

Asset management fees are earned typically on a quarterly basis in accordance with the terms of the client agreements that generally allow for the Company to earn fees based on a percentage of the assets under management during the period.

Participation fees related to client sweep account investments are recorded in the month of service.

Income Taxes — The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company records net deferred tax assets to the extent the Company believes these assets will more likely than not be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In the event the Company were to determine that it was more likely than not that the Company would be able to realize its deferred income tax assets in the future in excess of its net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

As of December 31, 2019, the Company has a net operating loss deferred tax asset of approximately \$3,185,000 and has recorded a valuation allowance of \$3,185,000 as management has determined on the weight of available evidence that it is more likely than not that the deferred tax asset will not be realized as of December 31, 2019. The Company is in a cumulative loss position with no operating history of profitability and therefore a full valuation allowance is appropriate.

As of December 31, 2019, the Company has federal and state income tax net operating loss (NOL) carry-forwards of approximately \$12,564,420, which will begin to expire in 2031.

The Company accounts for uncertainty in income taxes by recognizing in its financial statements the tax effects of a position only if it is more likely than not to be sustained based solely on its technical merits; otherwise, no benefits of the position are to be recognized. Moreover, the more-likely-than-not threshold must continue to be met in each reporting period to support continued recognition of a benefit. As of December 31, 2019, the Company has not recorded any unrecognized tax benefits in the accompanying statements of financial condition. Management does not expect that unrecognized tax benefits will increase within the next 12 months. In the event the Company were to recognize interest and penalties related to uncertain tax positions, they would be recognized in the financial statements as income tax expense.

Depreciation — Depreciation of property and equipment is computed using the straight-line method at various rates based upon the estimated useful lives of the assets. The Company's equipment is depreciated over 5 years, and furniture and fixtures are depreciated over 7 years.

Cash and Cash Equivalents — The Company has defined cash equivalents as those highly liquid financial instruments purchased with a maturity of three months or less at the time of acquisition. The Company during the course of operations may maintain cash balances in excess of federally insured limits.

Prepaid Expenses — Prepaid expenses are amounts paid to secure the use of assets or the receipt of services at a future date or continuously over one or more future periods.

Equipment — Property and equipment are recorded at cost. Expenditures for major betterments and additions are capitalized to the asset accounts while replacements, maintenance, and repairs, which do not improve or extend the lives of the respective assets, are charged to expense currently.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

2. Going Concern

During the year ended December 31, 2019, the Company had net loss of \$2,695,003 and negative cash flows from operations of \$518,797. Management expects that the Company may have negative cash flows from operations over the next year. The Company has obtained a commitment from its Parent to continue to support the development of the Company. Management acknowledges that uncertainty remains over the ability of the Company to meet its cash requirement. However, management expects that the Company's liquid assets and anticipated funding from its Parent will provide adequate resources to continue in operational existence for the near future.

3. FAIR VALUE

Fair Value Hierarchy — FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy of fair value inputs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
- Level 2. Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3. Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

FAIR VALUE (continued)

A description of the valuation techniques applied to the company's categories of assets and liabilities measured at fair value follows: Equities, Corporate Bonds, and U.S. Government Securities are valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly. Accordingly, U.S. government securities are generally categorized in level 2 of the fair value hierarchy. The Company determined the valuation with inputs from the custodian (Pershing LLC) market value determination which is derived principally from or corroborated by observable market data by correlation or other means (Level 2).

As of December 31, 2019, the Company determined fair value of the Securities held as listed in the following table:

Long positions					
Security	Rate and Maturity	Quantity	Market Value	Accrued Interest	Valuation
YPF, Sociedad Anonima Sponsored ADR		30,673	\$ 355,193	\$ -	\$ 355,193
United States Treasury Bonds	2.250% 03/31/20 B/E DTD 03/31/18	510	510,720	2,884	513,604
			865,913	2,884	868,797
Short Positions					
Security	Rate and Maturity		Market Value	Accrued Interest	Valuation
ODEBRECHT FINANCE LTD	7.500% 09/14/88 B/E DTD 09/14/10 Callable Security in Default	194	(7,407)	-	(7,407)
Security positions, net			\$ 858,506	\$ 2,884	\$ 861,390

In August 2018, the Company purchased approximately \$2,999,239 of United States Treasury Bonds which included accrued interest of approximately \$14,485. For the year ended December 31, 2019, the Company received \$ 28,041 of interest income on the investments and \$2,483,540 of bonds including accrued interest matured. As of December 31, 2019, the Company had approximately \$513,604 of United States Treasury Bonds, which includes accrued interest of approximately \$2,884, and is reported on the statement of cash flows changes in operating assets and liabilities.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

FAIR VALUE (continued)

As of December 31, 2019, the Company had a short position of approximately \$7,407 of corporate bonds in default, and approximately \$7,407 of cash, which is reported as a component of receivable from clearing firm on the statement of financial condition.

For the twelve months ended December 31, 2019, the Company closed a short position of United States Treasury Bonds of approximately \$288,637, which was reported as a short position on December 31, 2018, and \$281,230 is reported as a change in Financial instruments sold, not yet purchased, at fair value on the statement of cash flows.

4. RECENT ACCOUNTING PRONOUNCEMENTS

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases. The guidance affects the accounting for leases and provides for a lessee model that brings substantially all leases that are longer than one year onto the balance sheet, which will result in the recognition of a right-of-use ("ROU") asset and a corresponding lease liability. The ROU asset and lease liability will be measured initially using the present value of the remaining rental payments. In July 2018, the FASB issued ASU No. 2018-11, Leases: Targeted Improvements. The guidance allows an entity to apply a modified retrospective approach. The new guidance, including subsequent amendments, was first effective January 1, 2019, but the Company held no leases greater than one year at that time, as such no modified retrospective approach was required.

Consistent with current guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend upon its classification as a finance or operating lease. The new guidance requires new disclosures to help financial statement users better understand the amount, timing and cash flows arising from leases.

On April 30, 2019 the Company ended a 12-month lease, which was exempt from capitalization under the new guidance. On May 1, 2019, the Company entered into an 84-month sublease (see related party note 5), and recorded an operating lease with a Right of Use Asset ("ROU") of approximately \$752,850 and a Lease liability of \$752,850, using an estimated incremental borrowing rate of 6.07%. The lease provides for increases in future minimum annual rental payments based on defined increases in the lease amendment. The agreement generally requires the Company to pay real estate taxes insurance, and shared common area and maintenance fees, which are recorded as a component of occupancy on the statement of operations. For the year ended, the company amortized approximately \$59,586 of the ROU assets and amortized approximately \$17,083 of the Lease Liability which is recorded as noncash lease expense on the statement of cash flows. As of December 31, 2019, the Company reported ROU assets of approximately \$693,264 and Lease Liabilities of approximately \$710,347.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

RECENT ACCOUNTING PRONOUNCEMENTS (continued)

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of December 31, 2019:

2020	120,901
2021	138,068
2022	147,964
2023	151,628
2024	155,632
Beyond	213,807
Total minimum lease payments	\$ 928,000

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. On January 1, 2020, the Entity will adopt ASU 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. Management has considered the impact on the Company and believes there will be no material change.

5. OPERATIONS

The Company's working capital has been obtained from funds provided by its stockholders. In the absence of achieving profitable operations, the Company's liquidity is dependent upon the availability of continued funding from Bci Chile, and Bci Asesoría Financiera S.A.

**NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

6. RELATED-PARTY TRANSACTIONS

Bci Miami Branch

The Company entered into an expense sharing agreement with Banco de Credito e Inversiones, Miami Branch ("Bci Miami Branch" or "Bci MB") in December 2017. The affiliate is a Branch of Bci Chile. The agreement was amended in April 2019, and in December 2019 the parties agreed to a one-year extension. Under the terms of the agreement, Bci MB agreed to provide certain internet connectivity, infrastructure and technology services, accounting, and Human Resource services in exchange for a monthly fee. The fee from January to March was \$1,197 per month, and was \$4,063 per month effective April 1, 2019 and may include other direct costs. In addition, the agreement includes health benefit costs for the Company employees at a cost determined by the insurance provider. For the year ended December 31, 2019, service expense and other direct costs incurred with Bci Miami Branch was approximately \$40,158, and is included within other general and administrative expense in the statement of operations. For the year ended December 31, 2019, the Company paid \$36,095 and the Company had \$4,063 payables at December 31, 2019 related to the service agreement.

Under terms of the expense sharing agreement, Bci Miami Branch may assume and pay other fees and expenses as agreed to by the parties from time to time. For the year ended December 31, 2019 Bci Miami Branch paid costs of approximately \$5,004. Approximately \$5,004 is included in other general and administrative expense on the statement of operations. For the year ending December 31, 2019 the Company had no payables related to reimbursements. In addition, Bci Miami Branch uses a COBRA benefit coordinator to collect funds from a former Company employee. For the year ended December 31, 2019 the Company has receivables of approximately \$326 which is reported as due from related party on the statement of financial condition.

In December 2018, the Company entered into an advisory service agreement with Bci Miami Branch. Under terms of the agreement, the Company will advise the affiliate on repurchase agreements. The annual cost of the services is \$5,000. For the year ended December 31, 2019, the company had revenues of \$5,000 which is included in Advisory fees on the statement of operations. For the year ended December 31, 2019, the Company has receivables of approximately \$5,000 which is reported as due from related party on the statement of financial condition. For the year ended December 31, 2019, due from related party increased by \$4,589 as reported on the statement of cash flows.

In March 2016, the Company entered into a networking agreement with Bci Miami Branch. The agreement is for one year and automatically renews annually unless any party gives written notice of termination. The agreement was updated in September 2019 to reflect changes in staff listed in the agreement and changes in referral fee rates. Under the terms of the agreement, the Company will pay a referral fee to Bci Miami Branch for the revenues associated with all accounts for brokerage services referred to Bci Securities pursuant to the agreement. The fee was amended from 25% (twenty-five percent) to 40% (forty-percent) of net revenues generated by Bci Securities for referred bank customer accounts. For the year ended December 31, 2019, the Company incurred costs of approximately \$153,491, which are reported as referral fees on the statement of operations. For the year ended December 31, 2019, the Company paid \$143,025, and had \$10,466 of payables at December 31, 2019 related to the agreement which is included in due to related party on the statement of

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

RELATED-PARTY TRANSACTIONS (continued)

financial condition. For the year ended December 31, 2019, referral fees payable increased by approximately \$1,068, and is reported as a component of accounts payable-related party at December 31, 2019 on the statement of cash flows.

In December 2018, the Company amended a lease for office space from Bci Miami Branch. Under terms of the addendum, the lease would terminate on April 30, 2019. The Company continued to use the space through May 31, 2019 at stay-over escalated lease rates of 150% of the normal monthly lease.

Bci Corredor de Bolsa

In December 2018, the Company amended the clearing agreement with Pershing LLC ("Pershing" or "Clearing Firm") to provide clearing services to Bci Corredor de Bolsa S.A. ("BCB" or "Sub-Broker"). BCB is a related party under common ownership by the Parent. Under terms of the agreement, BCB will be a Sub-Broker of Bci Securities, and may indirectly obtain the benefits of the securities clearing services the Company obtains from Pershing. Until termination, Pershing shall carry the customer accounts of BCB, and the accounts will be re-introduced accounts of the Company to Pershing on fully disclosed basis.

The Sub-Broker agrees to be bound by terms of the clearing agreement as amended, in connection with any customer accounts introduced to Pershing through the Company. The Company and Sub-Broker jointly and severally agree to provide Pershing with information as Pershing may request. The Sub-broker will establish a clearing deposit account with a balance of at least \$50,000.

In December 2018, the Company entered into an Introducing broker agreement with BCB. The effective date was January 2019 when BCB began trading under this agreement. After such date, the agreement was reviewed in September 2019, and extended through December 31, 2019. The agreement is renewable in writing. Under terms of the agreement the Company will introduce the accounts of BCB to Pershing and jointly act as the broker of record to sub-broker clients subject to the terms and conditions of the agreement with Pershing. Directly, the Company acts as the fully disclosed introducing broker for BCB introduced accounts to the Clearing Firm. The Company will record related revenues and pay fees to BCB related to transactions in those introduced accounts. The agreement states that BCB will pay a minimum fee of \$40,000 per month to the Company net of any fees paid to BCB, which is presented net on the statement of operations, because the consideration paid to BCB is not distinct from the minimum payments received from BCB. In addition, the Company was eligible to receive 25% (twenty-five percent) of commissions and trailing fees exceeding \$1,187,391, but that amount was not achieved. For the year ended December 31, 2019, the Company paid \$660,964 and received \$480,000 through this agreement and the net amount of \$180,964 is reported as a component of referral fees on the statement of operations. For the year ended December 31, 2019, referral fees payable increased by approximately \$98,371, and is reported as a component of due to related party at December 31, 2019 on the statement of cash flows. In addition, BCB shall pay the Company for any expenses incurred in connection with the review/approval of BCB's compliance with the agreement including travel.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

RELATED-PARTY TRANSACTIONS (continued)

In January of 2020, the Company renewed the Introducing broker agreement with BCB, which is renewable annually in writing. Under terms of the agreement the Company will introduce the accounts of BCB to Pershing LLC and jointly act as the broker of record to sub-broker clients subject to the terms and conditions of the agreement with Pershing. BCB will pay a fee of 40% of gross commissions to the Company. In addition, BCB shall pay the Company for any expenses incurred in connection with the review/approval of BCB's compliance with the agreement including travel.

On October 21, 2018, the Company entered into a Research Services Agreement with BCB. Under the terms of the agreement, BCB will provide daily reports that contain economic and financial information on relevant markets. The fee is \$5,000 per year to be paid in equal monthly installments of approximately \$417. For the year ended December 31, 2019 the Company had expense of approximately \$5,000. The Company paid \$5,417, of which \$5,000 is included in other general and administrative expense on the statement of operations and related party payables decreased by \$417 and is reported as a component of accounts payable-related party on the statement of cash flows. At December 31, 2019 the Company had no payables to related party on the statement of financial condition.

City National Bank

In May 2019, the Company entered into a sublease agreement with City National Bank ("CNB") and Bci Miami Branch. Under terms of the sublease the Company is allocated approximately 2,180 square feet and pays rent on this proportional basis to Bci Miami Branch as reimbursement for Bci Miami Branch paying rents to CNB. The Company was not granted access to the subleased space until October 1, 2019 and amended the sublease to include additional space from May to September 2019. The Company shared this space with Bci MB and was reimbursed for their use of the space. Rent expense incurred was approximately \$208,500 of which Bci MB paid approximately \$25,770. The Company paid approximately \$182,730 for the year-ended December 31, 2019 which is included in the Statement of Operations as Occupancy expense.

In May 2018, the Company entered into a networking agreement with City National Bank ("CNB") which is a subsidiary of Banco de Credito e Inversiones. Under terms of the agreement certain employees of CNB will be registered representatives of the Company and CNB may refer customers to the Company. The agreement is for one year, and automatically renews for one-year terms unless terminated by the parties. The Company will pay 70% of the gross revenues generated from referred customers and such payments shall be paid in the month following determination of the fees. The Company terminated the agreement effective September 30, 2019. In November, the parties entered into a networking agreement effective October 1, 2019. Under terms of the agreement certain employees of CNB who are not registered with the Company may refer customers from time to time to the Company. The agreement is for one year, and automatically renews for one-year terms unless terminated by the parties. The Company will pay 20% of the gross revenues generated from referred customers and such payments shall be paid in the month following determination of the fees. For the year ended December 31, 2019, the Company incurred costs of approximately \$108,378, which are reported as referral fees on the statement of operations. For the year ended December 31, 2019, the Company paid \$107,467, and had \$911, of payables at December 31, 2019 related to the agreement which is included in due to related party on the statement of financial condition. For the year ended December 31, 2019, referral fees payable decreased by \$8,709, and is reported as a component of due to related party at December 31, 2019 on the statement of cash flows.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

7. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to SEC Rule 15c3-1 and has elected to compute its regulatory net capital requirement in accordance with the Aggregate Indebtedness net capital computation. Regulatory net capital, as defined, shall be at least the greater of \$5,000 or 6.7% of Aggregate Indebtedness, as defined. At December 31, 2019, the Company's regulatory capital, as defined, was \$1,693,372, which was \$1,622,143 in excess of its required regulatory net capital and the ratio of Aggregate Indebtedness, as defined, to regulatory net capital, as defined, was 0.661 to 1.

8. REGULATORY CAPITAL NOTE

For the period ended December 31, 2019, the Company had no subordinated borrowings and is exempt from the required Statement of Changes in Liabilities Subordinated to Claims of General Creditors.

9. EQUIPMENT

Equipment at December 31, 2019 consisted of the following:

Furniture and fixtures	\$	46,404
Office equipment		62,061
Less: Accumulated depreciation		(66,012)
Total Property Plant and Equipment, net	\$	42,453

During the year ended December 31, 2019, the Company purchased approximately \$16,815 of equipment, which is reported on the statement of cash flows as purchase of equipment. In addition, the company disposed of \$20,243 of equipment, of which \$14,991 is reported on the statement of cash flows as loss on disposal of equipment and \$5,522 is reported as disposition of equipment. For the year ended December 31, 2019 the company had depreciation of \$15,535.

10. COMMITMENTS AND CONTINGENCIES

On January 21, 2016, the Company received a completed contract from Pershing Clearing Corporation; wherein, Pershing Clearing Corporation will provide clearing services to the Company on a fully disclosed basis.

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

COMMITMENTS AND CONTINGENCIES (continued)

Beginning January 1, 2019, the quarterly minimum fee will be \$125,000. The contract is for 5 years from date of the amendment, the Company is required to maintain a clearing deposit with Pershing in the amount of \$250,000. Either party may cancel the agreement with 180 days written notice. In the event of termination, the Company may incur termination fees on a pro rata basis as shown below.

Delivery Date of Notice of Termination	Termination Fee
In year 1	\$400,000
In year 2 and thereafter	\$200,000

On September 10, 2019, the Company entered a new contract with Pershing, LLC, for the Managed Account Command service, under which Pershing provides the Company with a platform for managing model portfolios and separately managed accounts.

Clearing and Depository Concentrations

The clearing and depository operations for the Company's securities transactions are provided by a clearing firm, whose principal office is located in Jersey City, New Jersey. At December 31, 2019, cash and cash equivalents of approximately \$1,066,809, and commissions receivable of \$5,274 were held by the clearing firm. In addition, the Company had a deposit at the clearing firm of \$250,000.

11. SUBSEQUENT EVENTS

On January 17th, 2020, the Company received change of membership approval from FINRA, under terms of the change the Company will maintain a minimum net capital of \$100,000 pursuant to SEC Rule 15c3-1(a)(2)(iii) (the net capital rule, operate pursuant to SEC rule 15c3-3(k)(2)(ii) (the Customer Protection Rule), clearing all transactions on a fully disclosed basis through its clearing firm. The Firm will not hold customer funds or safekeep customer securities. And engage in the following types of business:

- A. Broker or dealer retailing corporate equity securities over-the-counter (foreign and domestic) in an agency capacity;
- C. Broker or dealer retailing corporate debt securities (foreign and domestic) in an agency and/or riskless principal capacity;
- E. Broker or dealer of U.S. government securities;
- F. Broker or dealer of foreign sovereign debt;

BCI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

SUBSEQUENT EVENTS (continued)

- G. Mutual fund retailer, including 529 Plans;
- H. Investment advisory services;
- I. Put and Call broker or dealer;
- J. Sales of hedge funds (foreign and domestic);
- K. Broker involved in a networking, kiosk, or similar arrangement with a bank, savings bank or association, or credit union
- L. Proprietary Trading; and
- M. Private placements of securities, not including oil, gas, REITS;
- N. Municipal Securities Broker or Dealer

In addition, the Company may employ five registered persons, three of which will have direct contact with customers when conducting the Firm's business activities, include the immediate supervisors of such persons, and operate one main branch.

Subsequent events have been evaluated through the date that the financial statements were available to be issued on February 11, 2020. The Company has not identified any events that would require disclosure or have a material impact on the statement of financial condition, results of operations, or cash flows of the Company as of and for the year ended December 31, 2019.

In January 2020, the Company registered in the state of Tennessee. As of the date of issuance the Company filed with the state of Kansas, and registration is not complete.