Statement of Financial Condition

(Unaudited)

Wedbush Securities Inc.

(SEC Identification No. 8-12987)

December 31, 2018

Contents

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December 31, 2018

(In thousands, except share data)

Assets		
Cash and cash equivalents	$	85,507
Cash and securities segregated for the benefit of clients		2,099,874
Receivables		
Brokers, dealers and clearing organizations		536,281
Clients		561,496
Other		37,182
Collateralized agreements		
Securities borrowed		1,918,371
Securities purchased under agreements to resell		2,435,761
Financial instruments owned, at fair value, including securities pledged of $77,406		77,642
Other assets		32,856
Total assets		**7,784,970**
Liabilities and shareholder's equity		
Short-term financing		87,219
Payables		
Brokers, dealers and clearing organizations		22,578
Clients		3,283,839
Collateralized financing		
Securities loaned		1,580,207
Securities sold under repurchase agreements		2,407,840
Financial instruments sold, not yet purchased, at fair value		28,916
Other liabilities		79,106
Total liabilities		**7,489,705**
Shareholder's equity		
Common shares, $0.10 stated value; authorized 20,000,000 shares;		
7,000,000 shares issued and outstanding		700
Parent treasury shares, 109,651 shares		(1,885)
Additional paid-in capital		13,816
Retained earnings		282,634
Total shareholder's equity		**295,265**
Total liabilities and shareholder's equity	**$**	**7,784,970**

See accompanying notes to statement of financial condition

(1) Organization

Wedbush Securities Inc. (the Company) is an investment firm headquartered in Los Angeles, California, that provides brokerage, clearing, investment banking, equity research, public finance, fixed income, sales and trading, and asset management services to individual, institutional and corporate clients predominately located in the United States of America. The Company is dually registered as a securities broker-dealer with the U.S. Securities and Exchange Commission (SEC) and a futures commission merchant (FCM) with the Commodity Futures Trading Commission (CFTC). The Company is a clearing member of the New York Stock Exchange and Chicago Mercantile Exchange, as well as other stock and commodity exchanges. The Company is also a registered investment advisor with the SEC. The Company is wholly owned by Wedbush Capital (Parent, formally known as Wedbush, Inc.).

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company follows accounting principles generally accepted in the United States of America (U.S. GAAP), as established by the Financial Accounting Standards Board (FASB), to ensure consistent reporting of financial condition. The U.S. dollar is the functional currency of the Company.

(b) Use of Estimates

In preparing the Statement of Financial Condition, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the Statement of Financial Condition. The most important of these estimates and assumptions relate to fair value measurements. Although these and other estimates and assumptions are based on the best available information, actual results could differ materially from these estimates.

(c) Fair Value

The Company's financial instruments owned and financial instruments sold are carried at fair value and recorded on a trade-date basis. All other assets and liabilities have a carrying value that approximates fair value. These financial instruments are short term in nature, bear interest at current market rates or are subject to repricing.

(d) Foreign Currency Translation

Assets and liabilities denominated in non-U.S. dollar currencies are translated at exchange rates at the end of a period.

(e) Cash and Cash Equivalents

Cash and cash equivalents are comprised of on demand deposits. Cash on deposit with financial institutions, may, at times, exceed federal insurance limits.

(f) Receivables from and Payables to Clients

Receivables from and payables to clients include amounts on margin transactions and due or held in cash. Receivables from clients are generally fully secured by securities held in the clients' accounts. The value of securities, cash commodities and options on futures contracts owned by clients and held as collateral or as margin is not reflected in the Statement of Financial Condition.

A reserve is established for amounts due from clients and others to the degree to which the receivable is unsecured. The Company also establishes a general reserve against accounts receivable for amounts that it determines in its best estimate may become uncollectible. Factors considered by management in determining the amount of the reserve include past experience, degree of concentration and quality of collateral. Receivables are presented net of reserves.

(g) Collateralized Agreements and Financings

Collateralized agreements consist of securities borrowed and securities purchased under agreements to resell (resale agreements). Collateralized financings consist of securities loaned and securities sold under agreements to repurchase (repurchase agreements). Where the requirements of FASB Accounting Standards Codification (ASC) 210-20, Balance Sheet Offsetting (ASC 210-20), are met, collateralized agreements and collateralized financings are presented on a net-by-counterparty basis in the Statement of Financial Condition.

Securities Borrowed and Securities Loaned Transactions

Securities borrowed and securities loaned transactions are recorded at the contract value of cash collateral advanced or received, plus accrued interest. Collateral in the form of cash is exchanged for securities borrowed, and is received for securities loaned, based on the approximate fair value of the related securities. The cash collateral is adjusted daily to reflect changes in the current value of the underlying securities.

Resale and Repurchase Agreements

Resale and repurchase agreements are recorded at their contracted amounts, plus accrued interest. Contract values approximate fair value as they are subject to daily repricing. Resale agreements require the Company to deposit cash with the seller and to take possession of the purchased securities. Repurchase agreements require the buyer to deposit cash with the Company and to take possession of the sold securities. The fair value of the securities sold or purchased plus accrued coupon is generally in excess of the cash received or provided. The Company monitors the fair value of resale and repurchase agreements on a daily basis, with additional cash or securities obtained or posted as necessary.

(h) Exchange Memberships

The Company's exchange memberships, which represent ownership interests in the exchanges and provide the Company with the right to conduct business on the exchanges, are recorded at cost or, if other than temporary impairment in value has occurred, at a value that reflects management's estimate of the impairment. There were no exchange membership impairments at December 31, 2018.

(i) Recent Accounting Developments

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Under ASU 2016-02, a lessee will recognize in the statement of financial condition a liability to make lease payments and a right-to-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from current U.S. GAAP. ASU 2016-02 retains a distinction between finance leases (i.e., capital leases under current U.S. GAAP) and operating leases. The classification criteria for distinguishing between finance leases and operating leases will be substantially similar to the classification criteria for distinguishing between capital leases and operating leases under current U.S. GAAP. The amendments are effective for fiscal years after December 15, 2018 for public business entities. Early adoption is permitted. The Company is evaluating the impact this ASU will have on its Statement of Financial Condition.

(3) Cash and Securities Segregated for the Benefit of Clients

The Company segregates cash and resale agreements according to the regulatory standards of Rule 15c3-3 of the Securities and Exchange Act of 1934. These assets are held in segregated accounts at banks and are exclusively for the benefit of clients. Resale agreements are carried at the amounts at which the securities will subsequently be resold, as specified in the related agreements and consist of U.S. treasuries and securities guaranteed by the U.S. government.

Clients' funds, regulated under the Commodity Exchange Act, as amended, are required to be segregated from the funds of the Company and its colleagues. Clients' segregated funds and equities in clients' regulated trading accounts, as shown in the Statement of Financial Condition, do not reflect the market value of options positions owned by clients and securities owned by clients and held by the Company as collateral or as margin. Segregated funds consist of money market deposits and financial instruments owned guaranteed by the U.S. government.

The following is a disaggregation of Cash and securities segregated for the benefit of clients as of December 31, 2018 (in thousands):

Cash and cash equivalents	$	942,033
Financial instruments owned		184,308
Securities purchased under agreements to resell		973,533
Total cash and securities segregated for the benefit of clients	**$**	**2,099,874**

The fair value of the short-term investments obtained from counterparties as collateral on the resale agreements was $974.7 million as of December 31, 2018.

At December 31, 2018, assets segregated or held in separate accounts under Commodity Exchange Act regulations are as follows (in thousands):

Segregated for clients trading on U.S. futures exchanges		
Cash and cash equivalents	$	278,654
Deposits with clearing organizations		558,720
Payable to clearing organizations		(4,730)
Total segregated for clients trading on U.S. futures exchanges	**$**	**832,644**
Held in separate accounts for foreign futures and options clients		
Cash and cash equivalents	$	5,275
Deposits with clearing organizations		5,283
Receivable from clearing organizations		18
Total held in separate accounts for foreign futures and options clients	**$**	**10,576**

Balances in the table above, with the exception of cash, are included in Receivables from brokers, dealers and clearing organizations in the Statement of Financial Condition, whereas cash is included in Cash and securities segregated for the benefit of clients in the Statement of Financial Condition.

(4) Receivables from and Payables to Brokers, Dealers and Clearing Organizations

Amounts receivable from and payable to brokers, dealers and clearing organizations result from the Company's normal trading and clearing activities and consist of the following as of December 31, 2018 (in thousands):

Securities failed to deliver	$	11,927
Amounts due from brokers, dealers and clearing organizations		422,060
Deposits with clearing organizations		96,922
Trade date settlement receivable, net		5,372
Total receivables from brokers, dealers and clearing organizations	**$**	**536,281**
Securities failed to receive	$	11,198
Amount due to brokers, dealers and clearing organizations		11,380
Total payables to brokers, dealers and clearing organizations	**$**	**22,578**

Securities failed to deliver and failed to receive represent the contractual value of securities that have not been delivered or received on or after the settlement date.

(5) Collateralized Agreements and Financing

The Company enters into collateralized agreements and financing transactions in order to, among other things, facilitate client activities, acquire securities to cover short positions and finance certain of the Company's assets. In many cases, the Company is permitted to deliver, repledge or otherwise use these financial instruments as collateral for repurchase agreements, securities lending transactions, to meet margin requirements at clearing organizations and to facilitate short sales of client and the Company.

At December 31, 2018, the approximate value, excluding the impact of netting, of financial instruments received as collateral by the Company, in connection with resale agreements and securities borrowed, that the Company was permitted to sell or repledge was $5,792 million, of which $5,519 million was sold or repledged.

Securities financing transactions are exposed to credit and liquidity risk. To manage these risks, the Company monitors the fair value of the underlying securities on a daily basis, with additional cash or securities obtained or posted as collateral as necessary.

Additionally, the Company, where appropriate, enters into master netting agreements and collateral agreements with counterparties that provide the Company, in the event of a counterparty default, with the right to net the counterparty's rights and obligations under such agreements and liquidate and set off collateral held by the Company against the net amount owed by the counterparty.

The following table summarizes the contract value and fair value of the securities obtained from or given to counterparties as collateral on collateralized agreements and financing as of December 31, 2018 (in thousands):

	Contract Value	Fair Value
Collateralized agreements		
Securities borrowed	$ 1,918,371	$ 1,873,017
Securities purchased under agreements to resell	$ 2,435,761	$ 2,452,798
Collateralized financing		
Securities loaned	$ 1,580,207	$ 1,525,372
Securities sold under repurchase agreements	$ 2,407,840	$ 2,413,168

The following tables present the carrying value of collateralized financings by class of collateral pledged and remaining contractual maturity as of December 31, 2018 (in thousands):

	Repurchase agreements	Securities loaned
U.S. government and agency securities	$ 2,406,572	$ -
Asset-backed securities	1,268	-
Municipal securities	-	26,957
Corporate debt securities	-	122,521
Equity securities	-	1,430,729
Total	**$ 2,407,840**	**$ 1,580,207**

	Repurchase agreements	Securities loaned
No stated maturity and overnight	$ 2,328,840	$ 1,580,207
2 - 30 days	79,000	-
Total	**$ 2,407,840**	**$ 1,580,207**

In accordance with ASC 210-20, the Company offsets financial assets and financial liabilities in the Statement of Financial Condition where there is a legally enforceable right to set off the recognized amounts and other offsetting requirements are met.

The following table presents information about the offsetting of these instruments and related collateral amounts as of December 31, 2018 (in thousands):

	Gross Amount	Amounts Offset in the Statement of Financial Condition (a)	Net Amounts Presented in the Statement of Financial Condition	Collateral Received or Pledged (b)	Net Amount (c)
Collateralized agreements					
Securities borrowed	$ 1,918,371	$ -	$ 1,918,371	$ 1,873,017	$ 45,354
Securities purchased under agreements to resell	$ 2,899,755	$ 463,994	$ 2,435,761	$ 2,435,761	$ -
Collateralized financing					
Securities loaned	$ 1,580,207	$ -	$ 1,580,207	$ 1,525,372	$ 54,835
Securities sold under repurchase agreements	$ 2,871,834	$ 463,994	$ 2,407,840	$ 2,407,840	$ -

(a) Amounts relate to master netting agreements and collateral agreements which have been determined by the Company to be legally enforceable in the event of default and where certain other criteria are met in accordance with applicable offsetting accounting guidance. There are no amounts which were eligible for netting pursuant to ASC Subtopic 210-20 that the Company did not net.

(b) Securities collateral is reflected at its fair value, but has been limited to the net exposure on the Statement of Financial Condition in order to exclude any over-collateralization.

(c) Includes amounts subject to enforceable master netting agreements that have not met the requirements for offsetting in accordance with applicable accounting guidance but are eligible for offsetting to the extent an event of default has occurred.

(6) Financial Instruments

The Company's financial instruments that are carried at fair value include Financial instruments owned, Securities segregated for the benefit of clients and Financial instruments sold, not yet purchased.

(a) Fair Value of Financial Instruments

Fair value is defined under FASB ASC 820, *Fair Value Measurement and Disclosures* (ASC 820), as the price that would be received to sell an asset, or would be paid to settle a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to the use of observable inputs and lowest priority to the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are based on market pricing data obtained from sources independent of the Company. Unobservable inputs reflect the Company's judgment about the assumptions market participants would use in pricing the asset or liability. The three levels of the fair value hierarchy based on observability of inputs are as follows:

Level 1 – Valuations based on quoted prices available in active markets for identical assets or liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active, or for which all significant inputs are considered observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and have little to no market activity. Significant judgment by management is required for valuation of these financial instruments.

(b) *Valuation Technique*

Financial instruments owned, and Financial instruments sold, not yet purchased that are reported as Level 1 are based on quotes for closing prices from national securities exchanges as well as reported bid and offer quotes from parties trading the security. If quoted prices are not available, fair values are obtained from pricing services, broker quotes or other model-based valuation techniques, and are reported as Level 2. During the period ended December 31, 2018, there were no changes to the valuation techniques employed by the Company in determining fair value.

(c) *Detail of Financial Instruments*

The following table presents financial instruments at fair value as of December 31, 2018 (in thousands):

	Level 1	Level 2	Level 3	Balance at December 31, 2018
Assets				
Financial instruments owned				
U.S. government and agency securities	$ 32	$ 17,045	$ -	$ 17,077
Municipal securities	-	48,748	-	48,748
Corporate debt securities	-	146	-	146
Equity securities	11,664	-	-	11,664
Derivatives	7	-	-	7
Total financial instruments owned	**$ 11,703**	**$ 65,939**	**$ -**	**$ 77,642**
Securities segregated for the benefit of clients				
U.S. government securities	$ 184,308	$ -	$ -	$ 184,308
Total securities segregated for the benefit of clients	**$ 184,308**	**$ -**	**$ -**	**$ 184,308**
Liabilities				
Financial instruments sold, not yet purchased				
U.S. government and agency securities	$ 20,770	$ -	$ -	$ 20,770
Municipal securities	-	974	-	974
Corporate debt securities	-	137	-	137
Equity securities	6,833	-	-	6,833
Derivatives	202	-	-	202
Total financial instruments sold, not yet purchased	**$ 27,805**	**$ 1,111**	**$ -**	**$ 28,916**

Included in Financial instruments owned is $77.4 million of securities pledged as collateral to various counterparties.

Transfers between fair value classifications occur when there are changes in pricing observability levels. There were no transfers between levels during the period ended December 31, 2018.

(d) *Risks Related to Financial Instruments*

In the normal course of business, the Company is involved in the execution, settlement and financing of various client and principal securities transactions. Client activities are transacted on a cash, margin or delivery-versus-payment basis. Securities transactions are subject to the risk of counterparty nonperformance. However, transactions are collateralized by the underlying security, thereby reducing the associated risk to changes in the fair value of the security through settlement date, or to the extent of margin balances.

The Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the Statement of Financial Condition at December 31, 2018, at fair values of the related securities and will incur a loss if the fair values of the related securities increases subsequent to December 31, 2018.

The Company also executes client transactions in the purchase and sale of commodity futures contracts (including options on futures contracts), substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses that clients may incur. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell futures contracts at prevailing market prices in order to fulfill the client's obligations. The Company controls the risk by monitoring margin collateral levels on a daily basis for compliance with regulatory and Company guidelines, and requires additional collateral when necessary. The Company requires a client to deposit additional margin collateral, or reduce positions, if it is determined that the client's activities may be subject to above-normal market risks.

(7) Credit Risk

The Company is engaged in securities and commodity clearing activities in which counterparties primarily include clearing organizations, broker-dealers and futures commission merchants. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review the credit standing of each counterparty. The Company may require counterparties to submit additional collateral when deemed necessary.

(8) Derivatives

FASB ASC 815, *Derivatives and Hedging* (ASC 815), requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit risk-related contingent features in derivative agreements. The disclosure requirements of ASC 815 distinguish between derivatives, which are accounted for as "hedges," and those that do not qualify for such accounting. The Company's derivatives are reflected at fair value and as such do not qualify for ASC 815 hedge accounting treatment.

The Company enters into futures contracts and equity options to hedge interest rate and market risk on a portion of its trading inventory.

The following table details the notional and fair value of the Company's derivative positions as of December 31, 2018 (in thousands):

	Notional Value	Fair Value
Asset Derivatives		
Futures - short contracts	$ 1,075	$ 7
Liability Derivatives		
Futures - short contracts	$ 15,904	$ 202

(9) Other Assets and Other Liabilities

At December 31, 2018, Other assets primarily consists of exchange memberships of $10.2 million, deferred tax assets of $7.7 million, prepaid expenses of $3.6 million and intangible assets of $2.7 million. Other liabilities primarily consists of accrued compensation of $21.2 million, accounts payable of $8.5 million, commissions payable of $6.2 million, deferred rent of $4.8 million, exchange fee payable of $4.8 million and employer contributions payable to Benefit Plans of $4.5 million.

(10) Share-Based Compensation – Options and Awards

During fiscal year 2014, the Parent established a new stock options and awards plan (2014 Plan) to replace the existing plan (2003 Plan) (combined, the Plans) expiring during the 2014 fiscal year. The 2014 Plan is authorized to issue up to 950,000 shares and options to acquire common shares of the Parent. This is in addition to the 1,040,000 shares authorized under the 2003 Plan. Both of the Plans' terms and conditions, including vesting, are determined by the Parent's Board of Directors, and restrictions may be applied to awards under the Plans. Options are issued at the fair value of the underlying Parent shares on the grant date and generally become exercisable ratably over four years and expire five years after the option becomes exercisable. Restricted awards in Parent shares are also granted and may vest over periods ranging up to five years. The Parent issues new shares upon the vesting of share-based awards and upon the exercise of options.

Under the 2014 Plan, there were 30,000 options and 35,234 unvested restricted awards outstanding related to Parent common shares as of December 31, 2018. The weighted-average remaining contractual life of the options outstanding until expiration was 2.0 years. There were no restricted and non-restricted share awards of Parent securities issued during the period ended December 31, 2018.

Under the 2003 Plan, there were 18,135 options and 0 unvested restricted awards outstanding related to Parent common shares as of December 31, 2018. The weighted-average remaining contractual life of the options outstanding until expiration was 0.7 years. There were no restricted and non-restricted share awards for Parent securities issued during the period ended December 31, 2018.

(11) Income Taxes

The Company is included in the filing of the Parent's consolidated tax return for federal tax purposes and in the Parent's combined returns for certain states where such filing is required or permitted. The Company is also a party to a tax allocation agreement with its Parent. The Company calculates its corresponding tax amounts on a modified separate return basis, consistent with the tax sharing agreement with the Parent, utilizing current enacted tax laws and rates while also considering those tax attributes that are realized or realizable by the Parent and corresponding consolidated group. The Parent is no longer subject to U.S. federal examinations for the years before June 30, 2015, and, with a few exceptions, to state and local tax examinations for the years before June 30, 2013.

The Company assesses its tax positions for all open tax years and determines whether there are any material unrecognized liabilities in accordance with accounting for uncertain income taxes. Liabilities are recorded to the extent they are deemed incurred.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant authority would more likely than not uphold the position following an audit. There are no uncertain tax positions recorded in the Statement of Financial Condition.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 went into effect and reduced the corporate federal tax rate from the applicable rate of 34% to 21%. As a result of the tax rate change, the tax rate of 21% is used for the purpose of computing current tax expense throughout fiscal year 2019.

Included in Other receivables in the Statement of Financial Condition are net income taxes receivable from the Parent of $9.3 million at December 31, 2018.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. 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.

Temporary differences and carryforwards, which give rise to deferred tax assets and liabilities, consist of the following as of December 31, 2018 (in thousands):

Deferred tax assets		
Accrued expenses not yet deductible	$	4,425
Deferred rent credit and other		2,203
Amortization of book-tax difference		1,330
Allowance for doubtful receivables		226
Net operating loss		133
Total deferred tax assets	**$**	**8,317**
Deferred tax liabilities		
Unrealized gains not taxable	$	(552)
Depreciation		(30)
Total deferred tax liabilities		**(582)**
Deferred tax assets	**$**	**7,735**

The Company has reviewed its deferred tax assets to assess whether a valuation allowance should be established. Management believes that it is more likely than not that the deferred tax assets will be realized. Utilization of the deferred tax asset is dependent on generating sufficient taxable income at the Company and Parent.

(12) Net Capital Requirement

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital. The Company has elected to use the alternative method permitted by the rule, which requires the maintenance of minimum net capital, as defined, equal to the greater of $1.0 million or 2% of aggregate debit balances arising from client transactions, as defined. The alternative method prohibits withdrawal of equity capital or payment of cash dividends if net capital does not exceed 5% of aggregate debit items, prohibits withdrawal of subordinated capital if net capital does not exceed 4% of aggregate debit items and subjects the Company to certain notification provisions.

As an FCM, the Company is also subject to the net capital requirements of the CFTC Regulation 1.17 and requirements of the National Futures Association, and is required to maintain adjusted net capital, as defined, equivalent to 8% of customer and noncustomer risk maintenance margin requirements on all positions, as defined. These CFTC regulations also prohibit a broker-dealer from repaying subordinated borrowings, paying cash dividends, making loans to its parent, affiliates or colleagues, or otherwise entering into transactions, which would result in a reduction of its total net capital to less than 150% of its required minimum capital. An FCM's ability to make capital and certain other distributions is subject to the rules and regulations of various exchanges, clearing organizations and other regulatory agencies, which may have capital requirements that are greater than the CFTC's.

The Company, as a dually registered broker-dealer and FCM, is required to maintain net capital in excess of the greater of the SEC or CFTC minimum financial requirements. At December 31, 2018, the Company had net capital of $191.8 million that was 22% of aggregate debit items and $168.3 million in excess of the $23.5 million required minimum net capital at that date.

(13) Short-Term Financing

The Company has the ability, through arrangements with multiple banks, to obtain secured and unsecured short-term borrowings primarily through the issuance of promissory notes. Under these agreements, the Company can borrow on demand up to a maximum of $290.0 million secured at interest rates determined on the date of each borrowing, and reset daily. At December 31, 2018, there were $35.7 million of short-term borrowings outstanding under these secured credit lines.

The Company also has an uncommitted secured credit line at interest rates determined on the date of each borrowing, and reset daily. At December 31, 2018, there were $51.5 million of short-term borrowings outstanding under this secured credit line.

In addition, the Company can borrow on demand up to a maximum of $90.0 million unsecured at interest rates determined on the date of each borrowing, and reset daily. At December 31, 2018, the Company did not have any short-term borrowings outstanding under these unsecured credit lines.

(14) Benefit Plans

The Company has two trustee-directed defined contribution retirement plans qualified under Section 401(k) of the Internal Revenue Code that also cover colleagues of affiliated companies. The Commissioned Employees' PS Retirement Plan covers eligible colleagues primarily compensated on a commission fee and/or incentive basis. Employer contributions are a specified percentage of the voluntary colleague contributions, and are not required if earnings do not exceed defined levels. The Employees' PS Retirement Plan covers substantially all salaried colleagues. Employer contributions are based on a percentage of colleague compensation. For both plans annual contributions vest on a graduated scale based on completed years of service. At December 31, 2018, employer contributions payable to the Plans were $4.5 million and are included in Other liabilities in the Statement of Financial Condition.

(15) Commitments, Contingencies and Guarantees

(a) Lease Commitments

The Company's operations are conducted in leased premises under lease agreements requiring minimum annual payments as follows (in thousands):

Fiscal Years Ending		
2019	$	4,624
2020		7,501
2021		5,636
2022		5,222
2023		2,306
Thereafter		7,656
Total	**$**	**32,947**

Certain leases have escalation clauses and renewal options.

(b) Contingencies

American Depository Receipts Matter (SEC matter No. NY-9087)

The SEC conducted an industry-wide investigation of activities involving the pre-release of American Depositary Receipts (ADR). The Company was a party to ADR pre-release agreements with four depositary banks and conducted pre-release ADR business from April 2011 through September 2013. The SEC is investigating whether the Company violated any securities laws or regulations in connection with its activities involving pre-release ADR agreements.

Although the outcome of the investigation is uncertain and negotiations continue with the SEC, the Company believes the risk of loss is probable. The Company has accrued a loss contingency, based in part on settlements for comparable matters in the industry.

Other Matters

The Company is subject to various proceedings and claims arising primarily from securities business activities, including lawsuits, arbitration claims and regulatory matters. The Company is also involved in other reviews, investigations, and proceedings by governmental bodies and SROs regarding its business, which may result in adverse judgments, settlements, fines, penalties, injunctions and other relief. The Company is contesting the allegations in these claims, and believes there are meritorious defenses in each of these arbitrations, lawsuits and regulatory investigations. The Company accrues for a settlement when a liability is deemed probable and estimable. Costs incurred in responding to potential litigation and regulatory actions are expensed when incurred.

At the present time, the Company does not expect the ultimate resolution of the matters described above to have a material adverse effect, beyond accrued loss contingencies, on the Company's Statement of Financial Condition.

(c) Guarantees

FASB ASC 460, *Guarantees* (ASC 460), requires the Company to disclose information about its obligations under certain guarantee arrangements. ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying factor (such as interest rate or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability, or equity security of a guaranteed party. This guidance also defines guarantees 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.

The Company is a member of various clearing organizations that clear derivative contracts. Associated with its memberships, 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 exchange or the clearinghouse. While the rules governing different exchange or clearinghouse memberships vary, in general the Company's guarantee obligations would arise only if the exchange or clearinghouse had previously exhausted its resources. The maximum potential payout under these membership agreements cannot be estimated. The Company has not recorded any contingent liabilities in the Statement of Financial Condition for these agreements and believes that any potential requirement to make payments under these agreements is remote and not material to the Statement of Financial Condition.

(16) Related-Party Transactions

In the normal course of business, officers, directors, relatives of officers and directors, and affiliates may buy and sell securities through the Company. Receivables from officers, directors and relatives were $17.1 million and receivables from affiliates were $13.0 million at December 31, 2018. Payables to officers, directors and relatives were $55.5 million and payables to affiliates were $9.5 million at December 31, 2018. Receivables from and payables to officers, directors, relatives and affiliates are included in Receivables from and Payables to clients in the Statement of Financial Condition.

At December 31, 2018, included within the receivables from officers, directors and relatives of officers and directors, were $17.1 million of receivables collateralized by Parent shares held in their accounts at the Company. Management believes these receivables are at market terms and rates of interest.

Notes receivable from colleagues are generally from recruiting activities and are noninterest-bearing. The notes are typically forgiven over a period of three to eight years, with a weighted-average of 5.2 years. Notes receivable from colleagues totaled $5.7 million, net of reserves of $2.6 million, at December 31, 2018. Receivables from affiliates related to intercompany transactions totaled $13.8 million at December 31, 2018. Both notes receivable from colleagues and receivables from affiliates are included in Other receivables in the Statement of Financial Condition.

Lime Brokerage LLC (Lime), a broker-dealer affiliated through common ownership, had a clearing account balance of $516,000, a clearing deposit of $501,000 and a payable balance of $60,000 with the Company at December 31, 2018. Periodically, the Company enters into purchase and assignment agreements with Lime, whereby the Company assumes certain Lime receivables. At December 31, 2018, the Company had no receivables assigned from Lime. The Company has an agreement to unconditionally guarantee the obligations of Lime under a master equipment lease agreement, which includes a maximum lease line of $750,000 with an initial term through May 2019. Each equipment lease is 36 months in duration and Lime is current in its obligations under the agreement. Lime has future minimum lease payments under this agreement of $52,000, $57,000 and $21,000 for the years ending June 30, 2019, 2020 and 2021, respectively.

At December 31, 2018, the Company had a resale agreement outstanding with the Parent in the amount of $1.3 million, with a fair value of $2.3 million, including accrued interest.

(17) Subsequent Events

The Company has evaluated all events subsequent to December 31, 2018, up until the date the Statement of Financial Condition was issued, and has determined there were no events or transactions during said period that would require recognition or disclosure in the Statement of Financial Condition.