NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE

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Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: WEDNESDAY, FEBRUARY 7, 2024

TIME: 2:00 P.M.

PLACE: HYBRID REGULAR MEETING VIA ZOOM AND IN-PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:	**For Zoom Call-in Only:**
www.zoom.us/join	Call: (669) 900-9128
Meeting ID: 891 0550 0774	Meeting ID: 891 0550 0774
Passcode: 648031	Passcode: 648031

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to Jared Graffam at jgraffam@olivenhain.com or address the finance committee directly in real-time under the public comment section. If you do not receive a confirmation email that your comment has been received, please call (760) 230-2569 or address the committee under the public comment section to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the finance committee members.

Note: *Items On The Agenda May Be Taken Out Of Sequential Order As Their Priority Is Determined By The Committee*

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

4. PUBLIC COMMENTS

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 2, 2023 REGULAR FINANCE COMMITTEE MEETING

6. REVIEW OF 2024 WASTEWATER RATE STUDY WITH RAFTELIS FINANCIAL CONSULTANTS

7. REVIEW OF DISTRICT INVESTMENTS AND CASH REPORT FOR FOURTH QUARTER 2023
   7a. UPDATE LIST OF OMWD APPROVED INVESTMENT BROKERAGE FIRMS

8. RECEIVE REPORT ON SURVEY OF RESERVE POLICIES (INFORMATIONAL ITEM)

9. CONSIDER FUTURE AGENDA ITEMS

10. ADJOURNMENT

MINUTES OF A REGULAR MEETING OF THE FINANCE COMMITTEE OF OLIVENHAIN MUNICIPAL WATER DISTRICT

November 2, 2023

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Thursday, November 2nd, 2023, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 1:01pm. In attendance were Neal Meyers, Board Treasurer; Lawrence A. Watt, Board Secretary; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst I. Also in attendance were Kenneth Pun and Coley Delaney from The Pun Group, LLP regarding agenda item 6.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

   Director Watt moved to adopt the agenda, seconded by Director Meyers, and carried unanimously.

4. PUBLIC COMMENTS

   There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE AUGUST 8,2023 REGULAR FINANCE COMMITTEE MEETING

   Director Watt moved to approve the August 8, 2023, meeting minutes, seconded by Director Meyers and carried unanimously.

6. REVIEW AND DISCUSS FISCAL YEAR 2022-23 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT

   Finance Manager Selamat introduced Kenneth Pun and Coley Delaney from The Pun Group (the District's audit firm). Mr. Pun provided an overview of the audit process and discussed the District's audited financial statements with the committee. Mr. Pun stated that there were no material findings during the audit and his team did not encounter any difficulties in performing their audit. He also stated that the District received a clean audit and no material weaknesses or significant deficiencies in internal controls were noted.

Mr. Pun reported that Governmental Accounting Standards Board (GASB) No. 96 – Subscription-Based Information Technology Arrangements went into effect during the fiscal year under audit and had a minor effect on the District's financials as of June 30, 2023, and that the prior year financials were restated to include GASB 96 adjustments for comparative purposes. Mr. Pun stated GASB 96 was created to increase the usefulness of governments' financial statements by requiring recognition of certain Subscription-Based Information Technology Arrangements liabilities that previously were not recognized.

Mr. Delaney then presented an overview of the District's audited financial statements and other pertinent information, such as key financial indicators and pension information. Key financial indicators that were presented included a comparison with the average of ten local districts, and Mr. Delaney added that the District performs better than its peers across the presented financial indicators. Mr. Delaney noted the most significant variances from the prior year financials were due to an increase in the pension-related deferred outflows and net pension liability, and a decrease in pension-related deferred inflows which fluctuate from year-to-year based on California Public Employees Retirement System (CalPERS) actuarial assumptions. Mr. Delaney also noted a significant decrease in water sales and purchased water costs compared to the prior year due to lower-than-average water demand caused by wet weather conditions during the year.

Director Meyers inquired about the operating loss shown in both fiscal year 2023 and 2022. Finance Manager Selamat explained that the operating losses were mainly caused by the depreciation expenses, which is a non-cash item. General Manager Thorner added that the District has not operated at a true loss since fiscal year 2006. Director Watt asked what the District did in 2006 to cover the operating loss. General Manager Thorner responded that funds from operating reserves were used to cover the deficit.

Director Meyers asked why the District had a larger change in net position in fiscal year 2023 compared to 2022. Finance Manager Selamat explained that it was mainly due to contributed assets from grant revenue. Accounting Supervisor Mendez provided more information on the different grant revenues the District recognized in fiscal year 2023, and added that the significant increase in interest income on the District's investments in 2023 compared to 2022 also contributed to the positive change in net position.

Director Watt thanked and congratulated staff for consistent clean audits each year. Director Meyers agreed and moved to approve the presented financial statements and annual comprehensive financial report. Director Watt seconded the approval.

7. REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2023

Finance Manager Selamat presented the District's pension funding status to the committee based on the most recent actuarial report available from CalPERS. Finance Manager Selamat reported the District's pension funding status as of June 30, 2022 (the most current available) was lower compared to fiscal year 2021 due to CalPERS' negative investment returns. Finance Manager Selamat then reported that for fiscal year 2023, CalPERS earned positive returns on its investment (5.8%) due to changes in market conditions, which will likely result in an increase to the District's pension funding status as of June 30, 2023.

Finance Manager Selamat also presented staff's recommended pension funding plan for 2023 which include: (1) making a $311,000 Additional Discretionary Payment (ADP) before December 31, 2023, and (2) transferring $500,000 to the Water Pension Stabilization Fund and $50,000 to the Wastewater Pension Stabilization Fund from the Water and Wastewater Operating Funds, respectively. Director Meyers inquired on how annual transfer to Pension Stabilization Fund was determined. Finance Manager Selamat explained that the $500,000 annual transfer was included in the District's Long Range Financial Plan and is budgeted based on the 13-year Fresh Start program included in the pension funding policy approved by the Board in December 2022 to reduce the District's Unfunded Accrued Liability (UAL) and interest savings. Finance Manager Selamat added that the annual discretionary payments will be paid from the Pension Stabilization Fund and that the payments require Board approval and will bring the District closer to its minimum target funded ration of 85% as outlined in the District's pension funding policy.

The committee thanked staff for the presentation and recommended bringing this item before the full Board for consideration.

8. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (3rd QTR 2023)

Finance Manager Selamat reviewed the investment report as of September 30, 2023, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the current yield on District investment portfolio has increased since the last quarterly update due to replacing matured securities with higher yields.

Finance Manager Selamat reported that District investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 6 months.

Director Meyers asked how our fund balances compare to other districts. General

Manager Thorner explained that adequacy of each district's fund balances will vary depending on each district's financial condition. One of the key financial ratios presented earlier in the meeting, current assets compared to current liabilities, is a good indicator for determining how easily a district can meet its current debt obligations utilizing current assets on hand. Director Meyers requested staff provide more information on other districts' fund balance policies for comparison. Staff agreed to look further into his request and provide more information at the next meeting. Director Watt added that JPIA provided input on the District's reserves policy in the past which we was used to increase the reserve requirements.

9. ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND BALANCES (RESERVES) POLICIES AND PROPOSED CHANGES TO THE POLICY FOR 2024

Finance Manager Selamat reported that Richard Babbe, Senior Managing Consultant at PFM Asset Management (PFM), reviewed the District's annual investment policy and recommended certain updates which include: deleting the net asset value requirement in the policy to provide more flexibility for other types of investments, such as CAMP Term; deleting duplicative language throughout the policy; and updating the rating requirements throughout the policy to reference Nationally Recognized Statistical Rating Organization (NRSRO) rather than specific agencies (Moody's, S&P, or Fitch) which is more in line with the California Government Code. Finance Manager Selamat also reported that the District's investment policy was reviewed by California Municipal Treasurer's Association (CMTA) as part of their investment policy review program, and the recommended updates from CMTA were included as proposed changes for the committee's consideration.

Director Meyers inquired if there would be any financial impact from the proposed changes to the investment policy. General Manager Thorner replied that there would not be any financial impact. Finance Manager Selamat added that there would be no changes to the District's Board Designated Fund Balance (Reserves) policy.

The proposed changes to the Investment policy were approved by the committee to be presented to the full board.

10. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

11. ADJOURNMENT

The meeting was adjourned at 2:20pm.

OLIVENHAIN Municipal Water District

Agenda Item 6

Memo

Date: February 7, 2024

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW OF 2024 WASTEWATER RATE STUDY WITH RAFTELIS FINANCIAL CONSULTANTS**

Staff and the District's rate consultant, Mr. Sudhir Pardiwala with Raftelis, will be available at the meeting to present the attached for consideration and discussion.

Following Committee review and approval, this discussion will be brought forward for review with the full Board at the February 21st meeting.

Attachment: OMWD Wastewater Rate Study Workshop Presentation

Olivenhain Municipal Water District

Wastewater Rate Study Workshop

February 7, 2024

RAFTELIS

OLIVENHAIN
Municipal Water District

Agenda

1. Study Objectives
2. Overview of Rate Study
3. Background
4. Review Proposed 5-Year Financial Plan
5. Cost of Service Analysis
6. Proposed Rates and Customer Impacts
7. Questions & Discussion

Study Objectives

- Recover projected operating and capital costs in the next 5 years
- Finalize 5-year wastewater financial plan
  - Proposed revenue adjustments
- Design wastewater rates to ensure customers pay in proportion to the service received

Rate Study at a Glance

1

Rate Setting Framework
- Financial goals and policies
- Pricing objectives

2

Financial Plan
- Evaluation of CIP and financing options
- Cash flow analysis for financial sufficiency

3

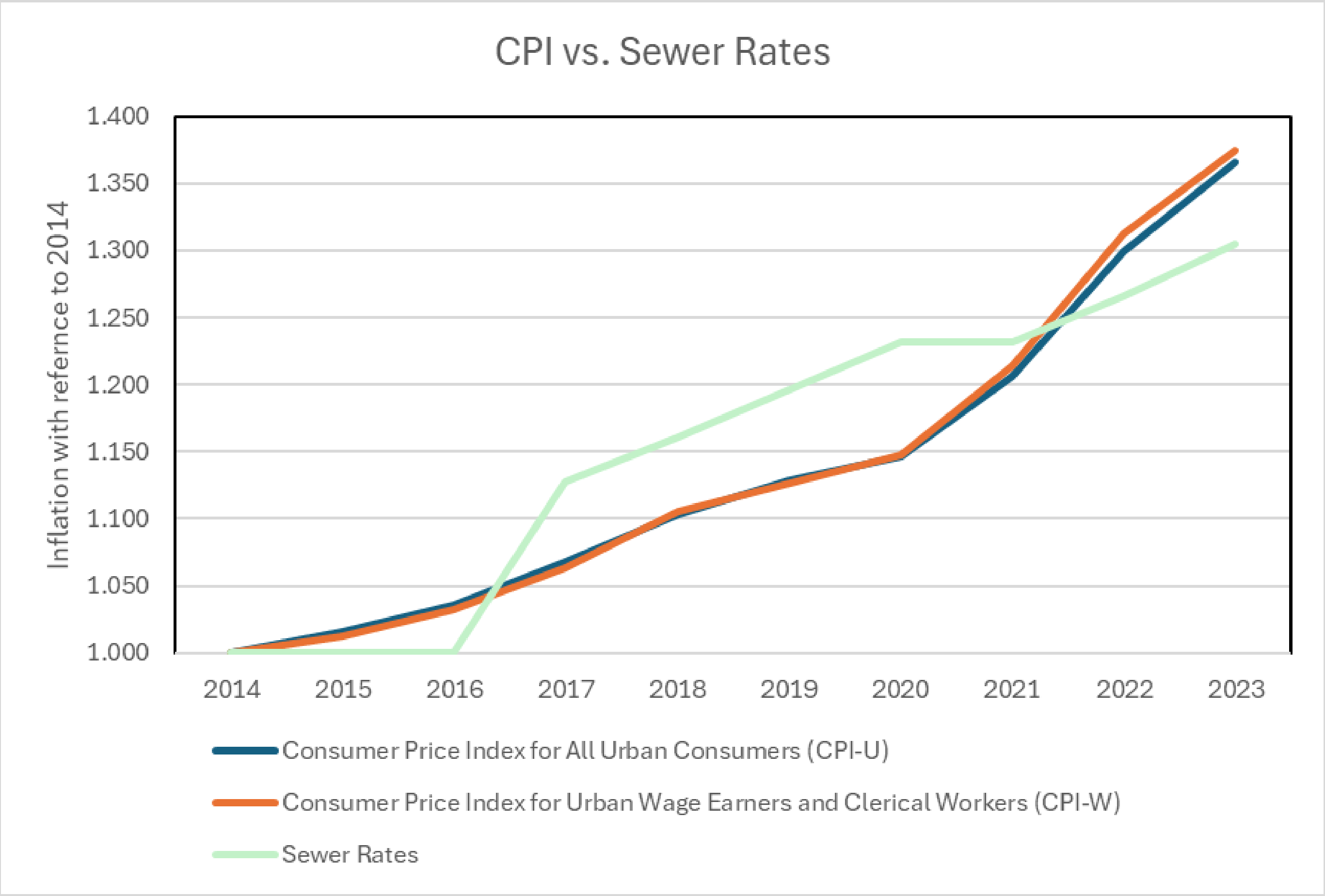
Cost of Service & Rate Design
- Cost allocations
- Rate design
  - Rate calculations
  - Customer impact analyses

4

Final Rate Adoption
- Report
- Prop 218 Notice
- Public Hearing

Background

- Raftelis conducted the previous rate study in 2021 and recommended 2% increase on July 21 and 3% for the next four years
- Inflation comparison shows CPI is 7% higher than rates by 2023



Major CIPs

- Years 1-5 (additional details on next slide):
  - Del Dios SPS- $4.7MM
  - Headworks Screening System Improvements – $2.9MM
  - Midpoint SPS - $2.2MM
  - EV Charging Station – $1MM
  - 4S WRF Electrical Improvements - $1.1MM
  - Digester Blower #2 - $300k
- Years 6-10:
  - Firehouse, Santa Luz, & Cerro Del Sol SPS - $2.3MM
  - Neighborhood 3 SPS - $1.9MM
  - Upgrade Odor Scrubber - $1.6MM
  - Wastewater Master Plan Update - $500k

Priority Projects (Years 1 & 2)/Consequence of Failure

- **Del Dios Lift Station Liner**
  - Priority Issue Identified:
    1. Liner failures in emergency storage basins and influent manholes
  - Consequence of Failure
    1. Exposure to corrosive conditions accelerates basin deterioration
    2. Can clog bypass pumps as material sloughs off, leading to operational failure

- **Electrical Improvements**
  - Priority Issue Identified:
    1. Approaching end of useful life
    2. Electrical Improvements
       a. Main Switchgear
       b. Automatic Transfer Switch
       c. Tertiary Filters Electrical (RW)
       d. Area-Specific Conduits/Enclosures
    3. Likelihood of failure escalated following recent conduit event
  - Consequence of Failure:
    1. Disruptions to plant power supply
    2. Safety
    3. Significant resource impacts if fails
    4. Potential treatment/regulatory violations

- **Digester Blower #2**
  - Priority Issue Identified:
    1. Approaching end of useful life
    2. Likelihood of failure escalated following recent fire on other blower
  - Consequence of Failure:
    1. Safety
    2. Poor digester performance
    3. Potential treatment violations

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Del·Dios·Emergenc

OLIVENHAIN Municipal Water District

Increases in 10-Year CIP

- 2020 COSS (FY '21 – FY '30) - $20.5MM
- Biennial Budget (FY '23 – FY '32) - $31.9MM
  - Added Main Electrical Upgrades - $7MM
  - Increase in NH1 SPS - $3MM
  - Emergency Generator - $1.3MM
  - Overall increase in supply costs and CPI
- 2024 COSS Proposed CIP (FY '25 – FY '34) – $26.8MM
  - Basis on Dudek's wastewater master plan update
  - Includes ongoing multi-year projects
  - Adjusted recurring replacement projects for aging plant and infrastructure
  - Allocated a portion of costs to Recycled for certain CIPs serving tertiary
  - Proposed CIP schedule reduced by $6.4 million from original by deferring future less-critical projects (see next slide for more details)

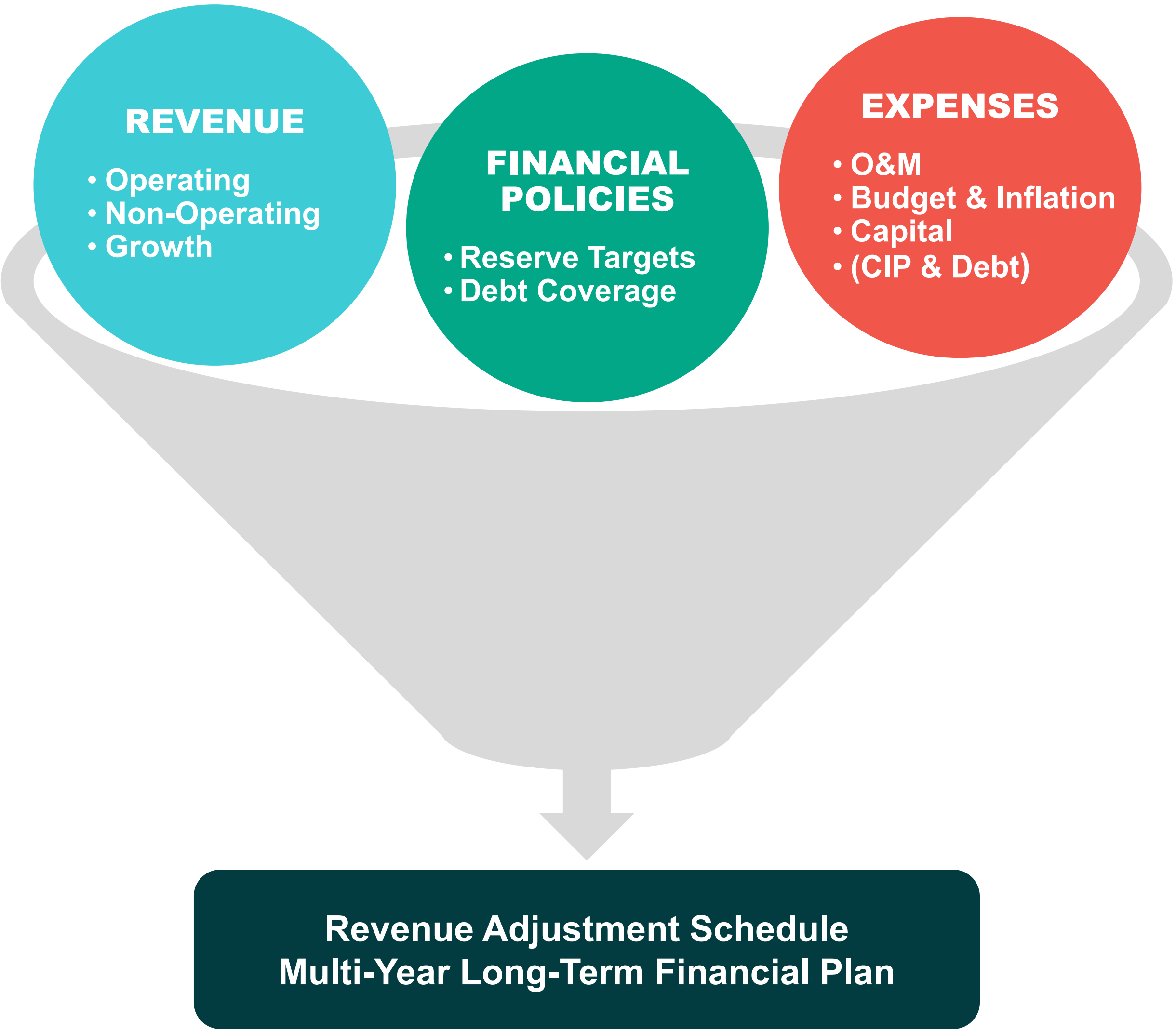
Projects Postponed to Achieve 5.5% Rate Adjustment

- Less-Critical Projects Postponed to Years 11 & 12:
  - Camino Sin Puente SPS #1 - #4 - $2MM
    - Extended implementation schedule for SPS projects over 12 years
  - Upgrade Plant B Aeration System - $1.8MM
    - 4S WRF improvements and energy efficiency
  - Connect Plant B Clarifier to Plant A Clarifier - $1.1MM
    - 4S WRF treatment process improvement
  - Emergency Generator Replacement - $900k
    - Generator repair as part of electrical upgrades and will postpone replacement

Financial Plan

Financial Plan

Financial Plan models yearly cash flow and reserve balances



Financial Plan Assumptions

- Cost escalation:
  - Salaries: 6% per year FY 25-26, 4.5% per year FY 27-29
  - Benefits: 5% per year FY 25-26, 4% per year FY 27-29
  - Utilities: 5% per year
  - Capital: 3% per year
  - General: 3% per year FY 25-26, 2% per year FY 27-29
  - Investment: 2% per year FY 25-27, 1.5% per year FY 28-29
- Account growth SFR: 0.2%, no growth for others
- Terms of future revenue bond debt:
  - 30-year term
  - 5% interest rate
  - Issuance costs of 1.5% of total issue
- Water use/ WW Generation 5% over FY 23

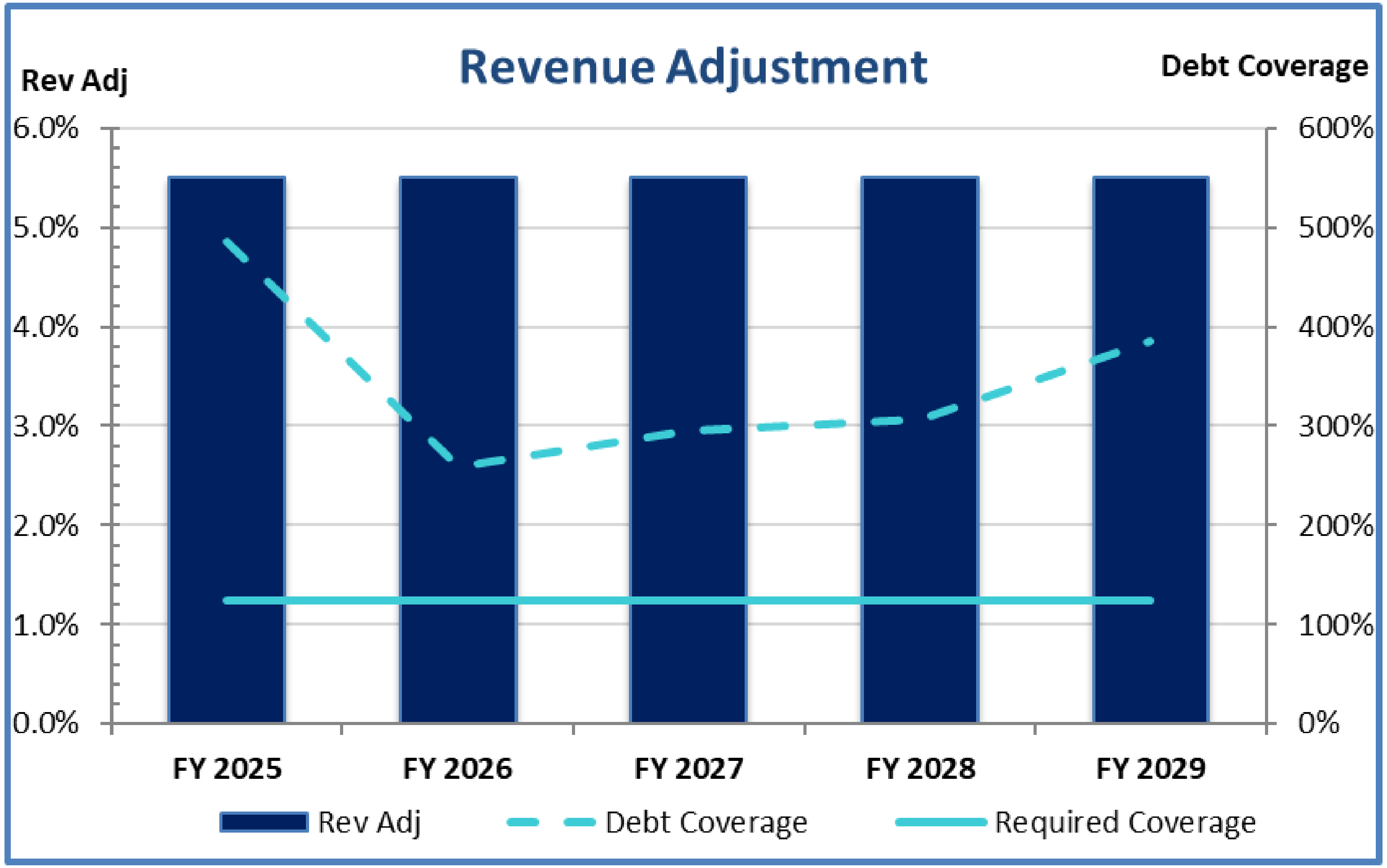
Current Reserve Policies

- Operating Fund Target:
  - Min: 180 days of annual O&M
  - Max: 365 days of annual O&M
- Capital and Equipment Fund Target:
  - Min: 2 year of average planned CIP over 10 years
  - Max: 5 years of average planned CIP over 10 years
- Rate Stabilization Fund Target:
  - Min: 25% of annual O&M
  - Max: 100% of annual O&M
- Total Min target for FY 25 is $9.4 million
- Total Max target for FY 25 is $24 million
- Pension Stabilization Target Balance: Min: $106,000 Max: $213,000

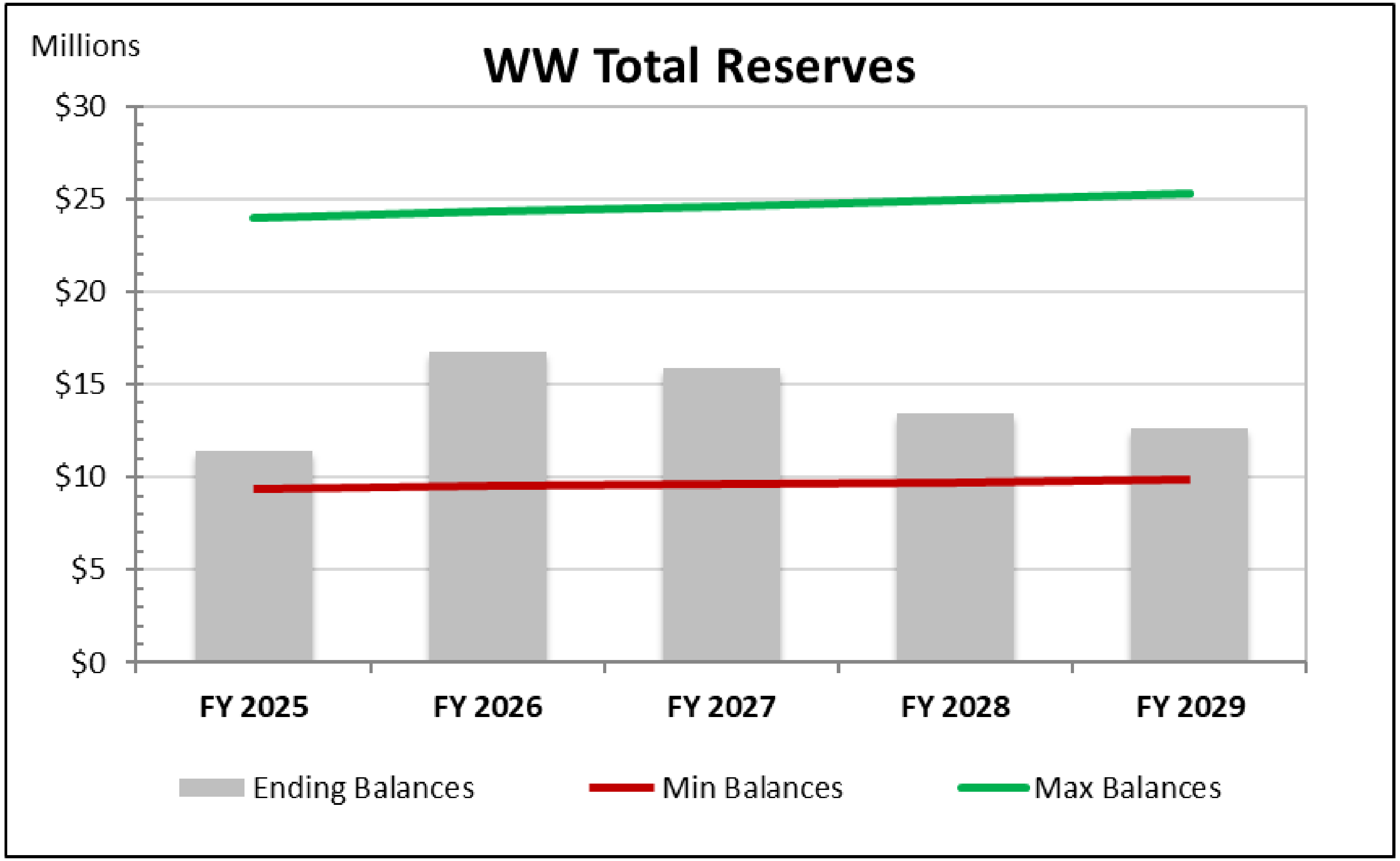
Proposed Financial Plan

Fiscal Year	Month	Revenue Adjustment	Debt
FY 2025	July	5.5%	
FY 2026	July	5.5%	$6.5 M
FY 2027	July	5.5%	
FY 2028	July	5.5%	
FY 2029	July	5.5%	

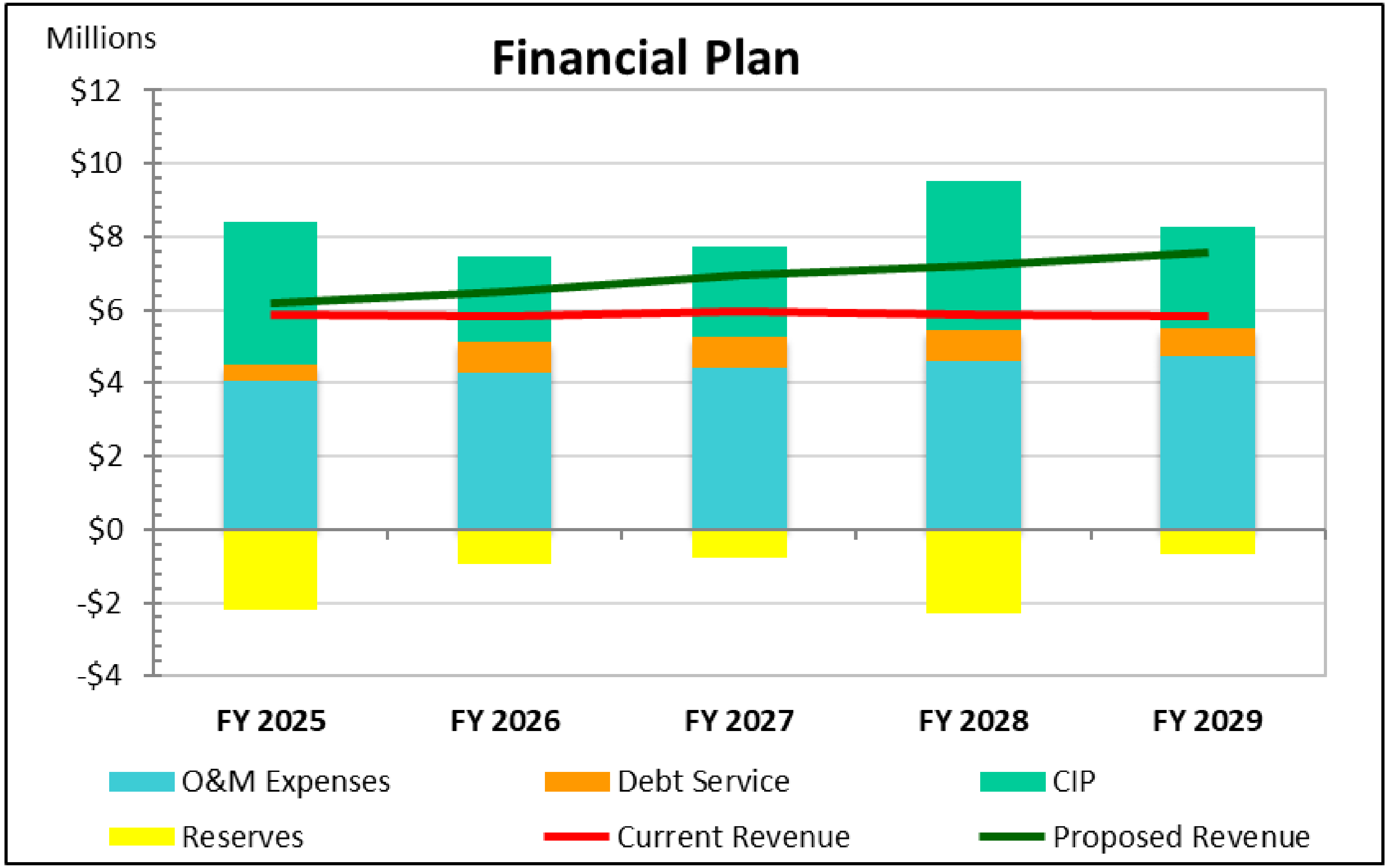
Proposed Revenue Adjustments, Coverage



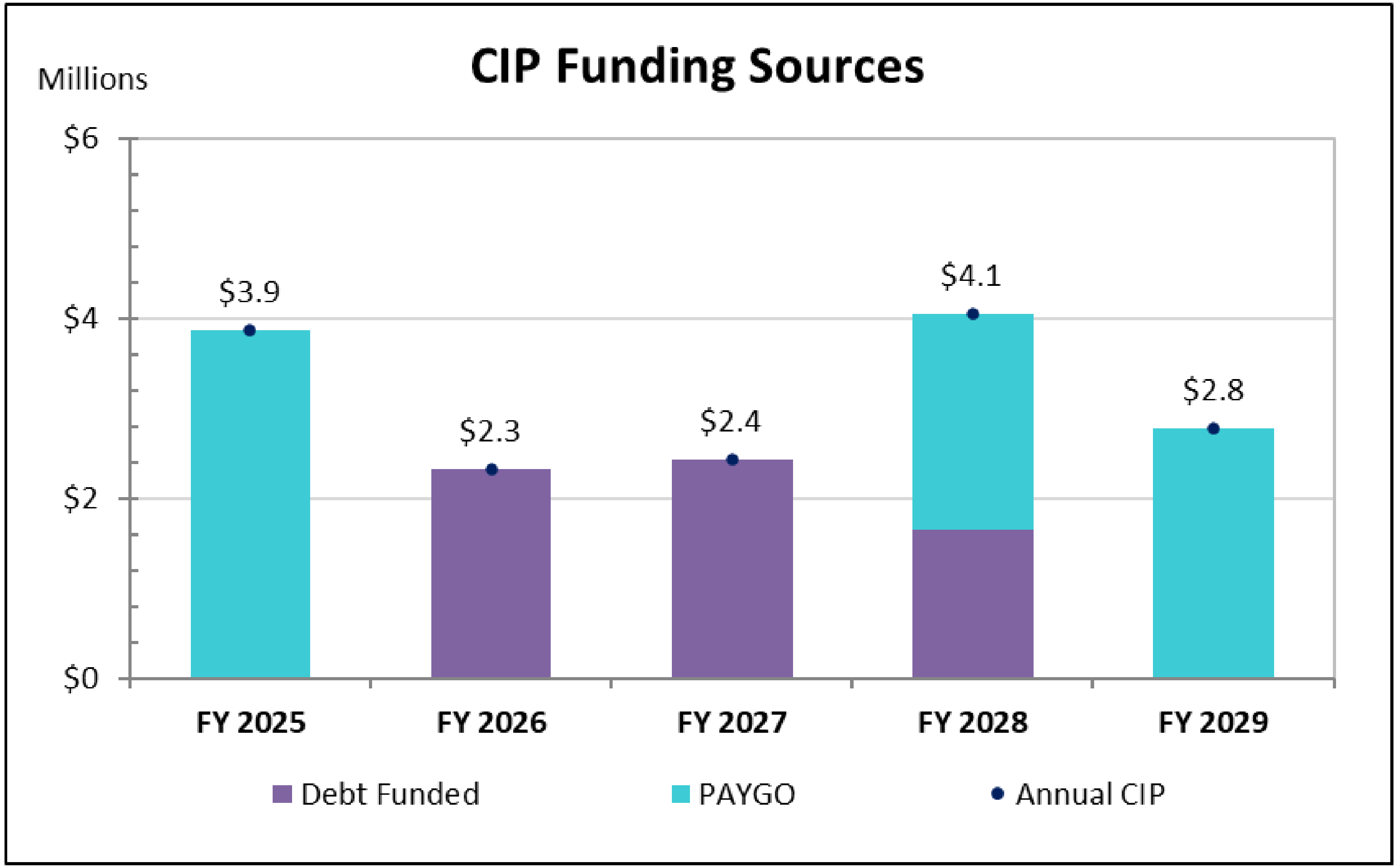
Projected Funds Balance



Proposed Financial Plan



Capital Financing – Debt of $6.5M in FY 2026



Cost of Service Analysis

Wastewater Cost-of-Service Analysis Process

REVENUE REQUIREMENT → **FUNCTIONALIZATION** → **ALLOCATION** → **DISTRIBUTION**

REVENUE REQUIREMENT
- O&M
- Debt Services
- Cash Funded CIP

FUNCTIONALIZATION
- Collection
- Treatment
- General & Admin

ALLOCATION
- Flow
- BOD
- TSS
- EDUs

DISTRIBUTION
- SFR
- MFR
- Commercial
  - Low Strength
  - High Strength

Cost of Service Methodology

- Kept consistent cost-of-service allocation methodology from 2020 rate study update
- Updated operating and capital costs and asset values
- Retained current customer classifications

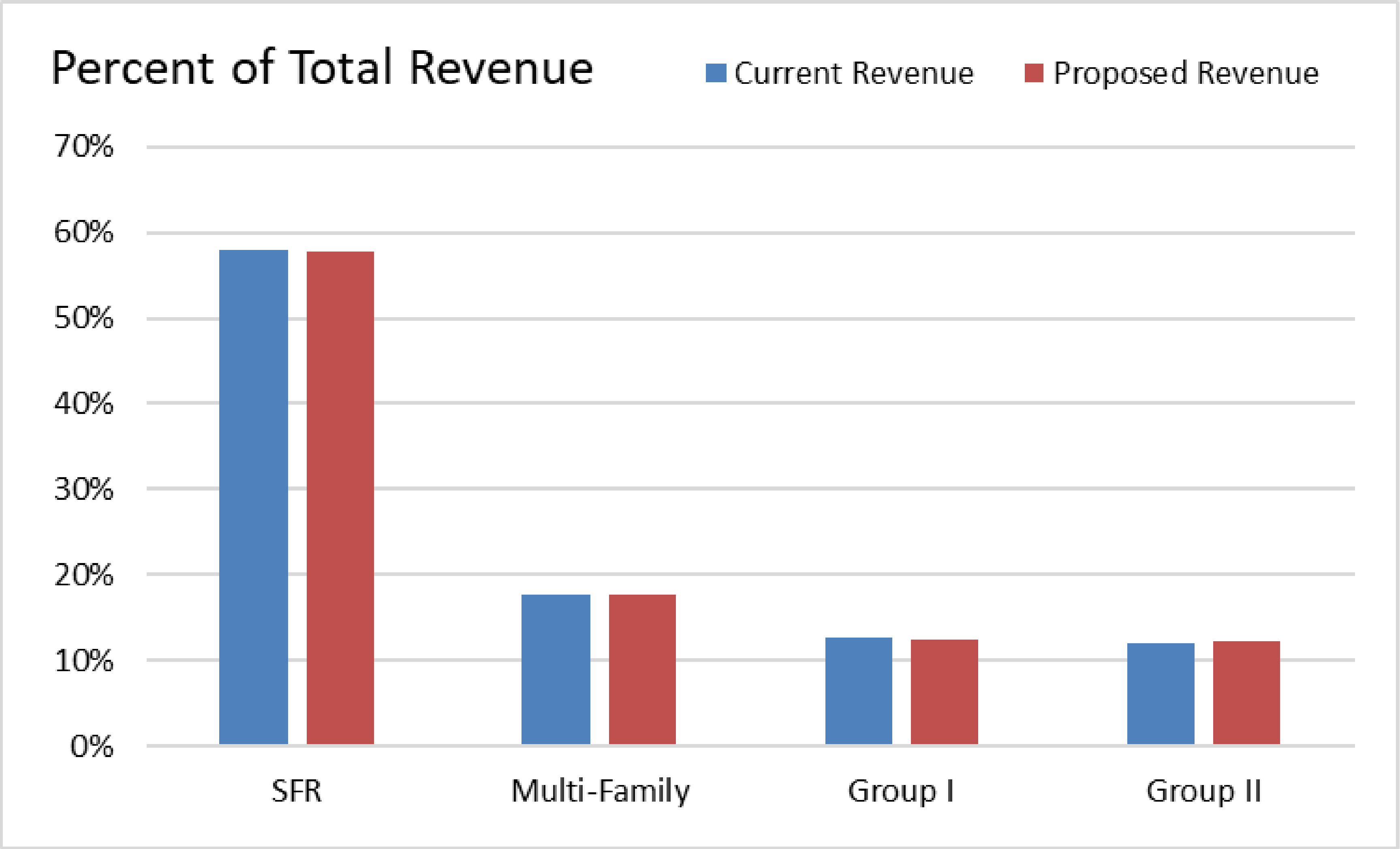
Cost of Service Allocations

- Costs are functionalized
  - Collection
  - Treatment
  - General
- Functional costs are allocated to
  - Wastewater flow
  - Biochemical oxygen demand
  - Suspended solids
  - Customer equivalent dwelling units (EDUs)

Customer Classes remain Unchanged

- Customers are divided into
  - Single Family
  - Multi-family
  - Group I includes offices, retail stores, schools, etc.
  - Group II includes shopping centers, strip malls, medical offices, restaurants, manufacturing

Cost of Service Results



Proposed Rates

RATE STRUCTURE DESIGN

- Multi-family dwelling unit EDU remains at 0.79 EDU based on multi-family wastewater flow
- Recover 27% of rate revenue on the fixed charges compared to current 26%

Proposed FY 2025 Rates

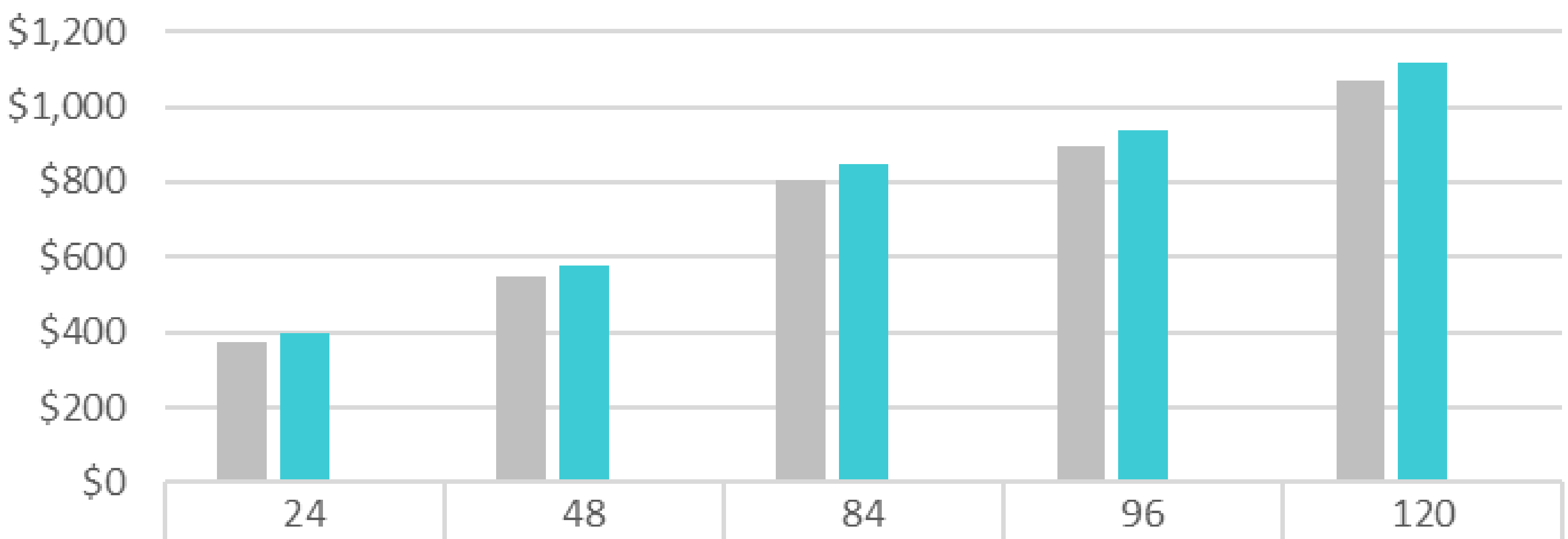
User Class	Current Annual System Access Charge (per EDU)	Current Commodity Rate ($/hcf)	July 2024 Annual System Access Charge (per unit)	July 2024 Commodity Rate ($/hcf water) [1]
Residential				
SFR	$197.52	$7.24	$217.59	$7.49
Non-Residential				
Multi-Family	$156.31	$7.24	$172.19	$7.49
Group I	$197.52	$7.24	$217.59	$7.49
Group II	$197.52	$10.02	$217.59	$10.72

(1) Water use is lowest winter use for single family and 100% of monthly water use for all other customers.

Five Year Rates

User Class	July 2024 Annual System Access Charge (per unit)	July 2024 Commodity Rate ($/hcf)	July 2025 Annual System Access Charge (per EDU)	July 2025 Commodity Rate ($/hcf)	July 2026 Annual System Access Charge (per EDU)	July 2026 Commodity Rate ($/hcf)	July 2027 Annual System Access Charge (per EDU)	July 2027 Commodity Rate ($/hcf)	July 2028 Annual System Access Charge (per EDU)	July 2028 Commodity Rate ($/hcf)
Residential										
SFR	$217.59	$7.49	$229.56	$7.91	$242.19	$8.35	$255.52	$8.81	$269.58	$9.30
Non-Residential										
Multi-Family	$172.19	$7.49	$181.67	$7.91	$191.67	$8.35	$202.22	$8.81	$213.35	$9.30
Group I	$217.59	$7.49	$229.56	$7.91	$242.19	$8.35	$255.52	$8.81	$269.58	$9.30
Group II	$217.59	$10.72	$229.56	$11.31	$242.19	$11.94	$255.52	$12.60	$269.58	$13.30

Single Family Customer Impacts

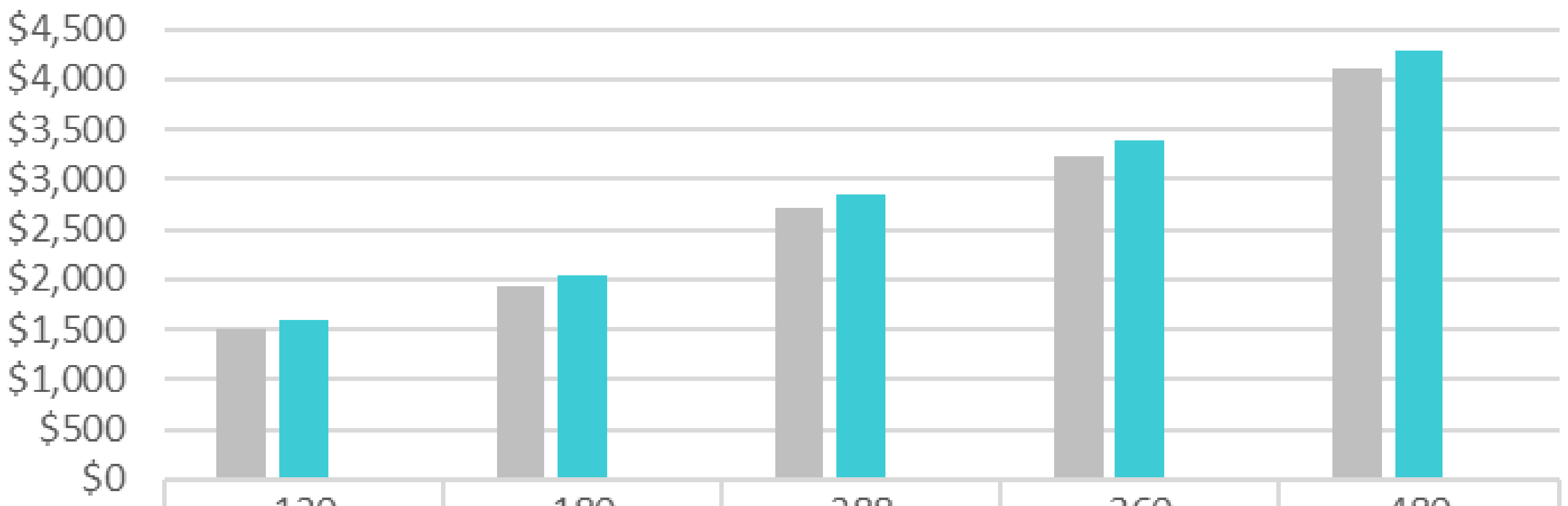


	24	48	84	96	120
Current Annual Bill	$371	$545	$806	$893	$1,066
Proposed Annual Bill	$397	$577	$847	$937	$1,116
Monthly Difference	$2.17	$2.67	$3.42	$3.67	$4.17

Annual Use (hcf)

Current Annual Bill   Proposed Annual Bill

Multi-Family Customer Impacts – 4 Dwelling Units

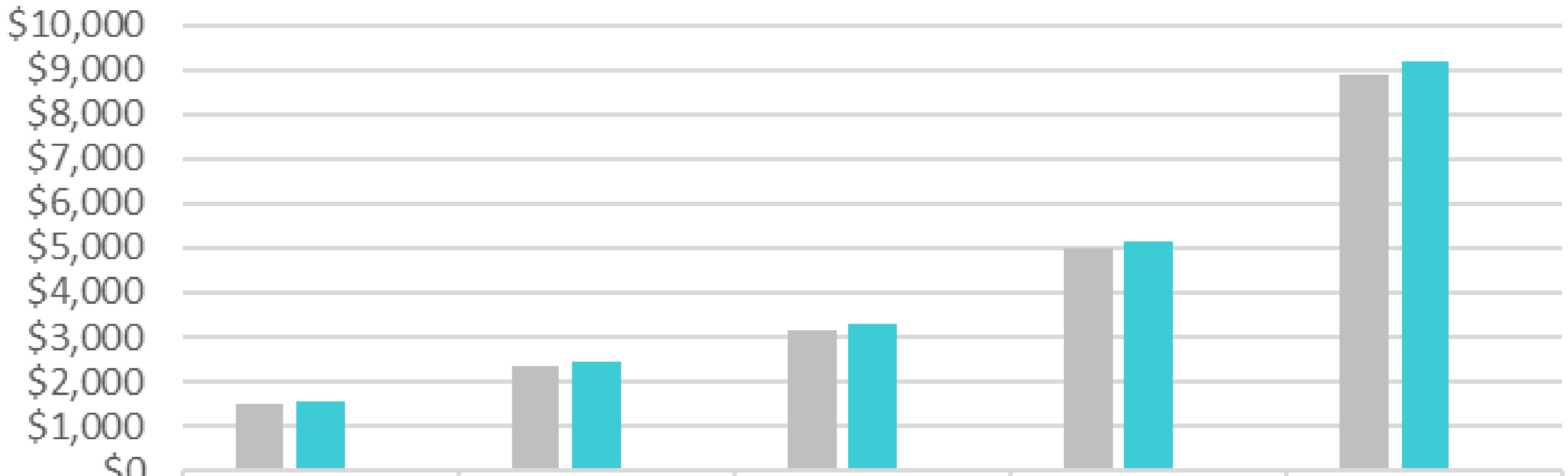


	120	180	288	360	480
Current Annual Bill	$1,494	$1,928	$2,710	$3,232	$4,100
Proposed Annual Bill	$1,588	$2,037	$2,846	$3,385	$4,284
Monthly Difference	$7.79	$9.04	$11.29	$12.79	$15.29

Annual Use (hcf)

Current Annual Bill   Proposed Annual Bill

Group I Customer Impacts

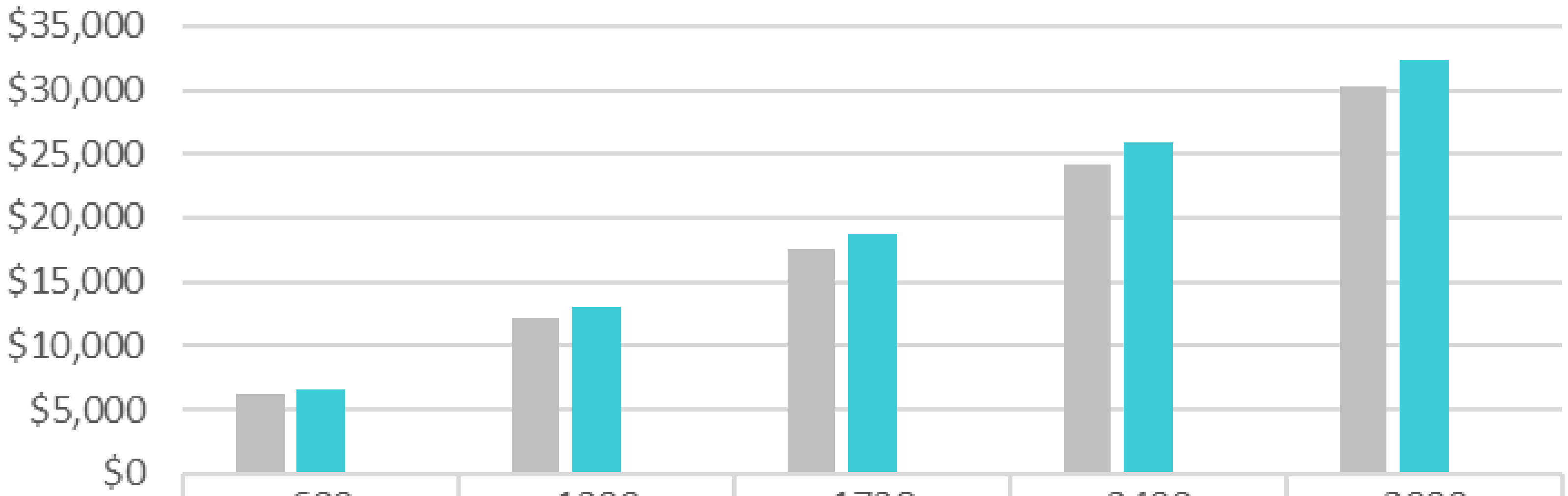


	180	300	408	660	1200
Current Annual Bill	$1,501	$2,370	$3,151	$4,976	$8,886
Proposed Annual Bill	$1,566	$2,465	$3,274	$5,161	$9,206
Monthly Difference	$5.42	$7.92	$10.17	$15.42	$26.67

Annual Use (hcf)

Current Annual Bill   Proposed Annual Bill

Group II Customer Impacts

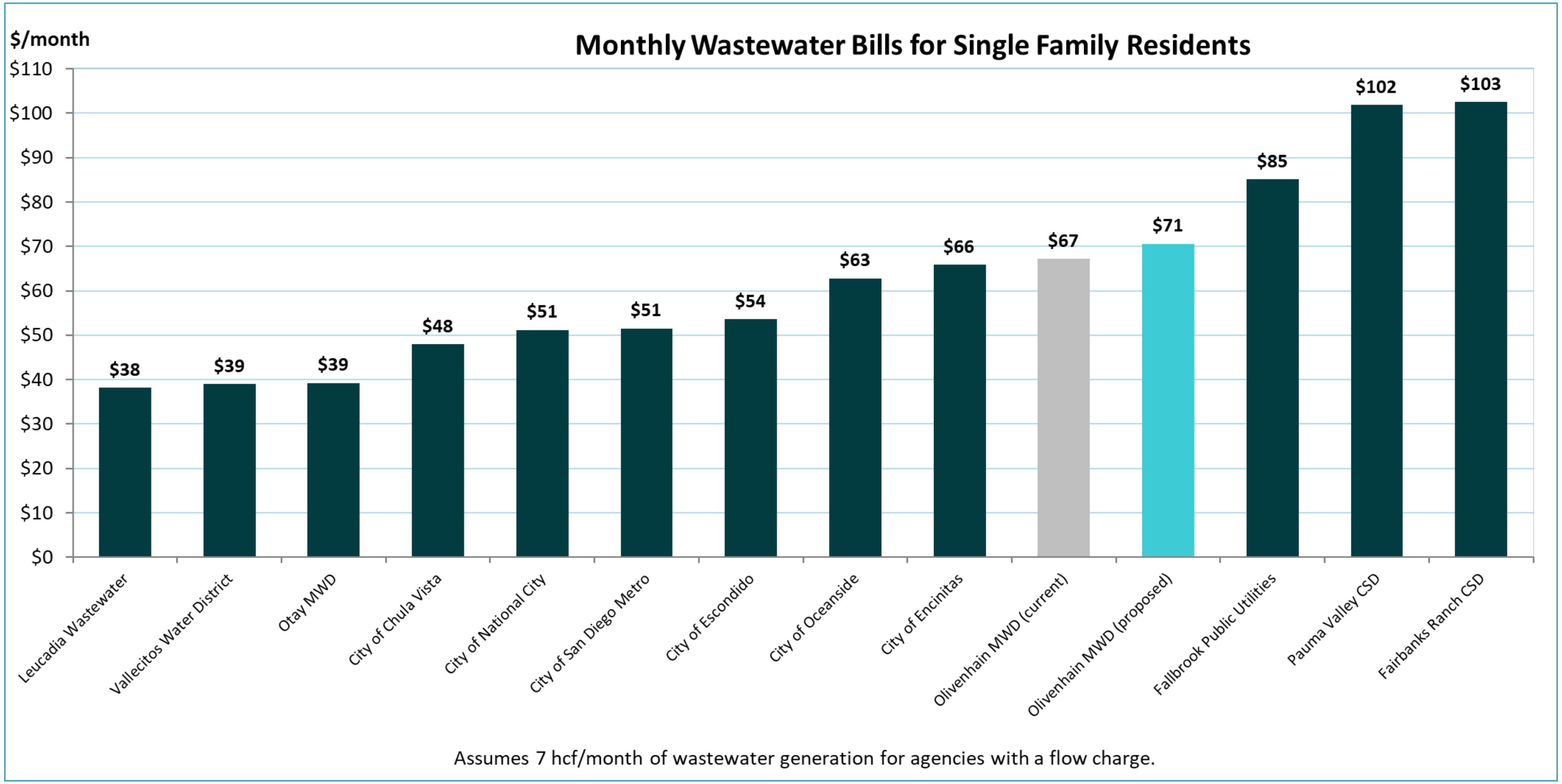


	600	1200	1728	2400	3000
Current Annual Bill	$6,210	$12,222	$17,512	$24,246	$30,258
Proposed Annual Bill	$6,650	$13,082	$18,742	$25,946	$32,378
Monthly Difference	$36.67	$71.67	$102.47	$141.67	$176.67

Annual Use (hcf)

Current Annual Bill   Proposed Annual Bill

Sewer Bill Comparison



Next Steps

- Present results to Board on Feb 21
- Issue Proposition 218 notices (March 2024)
- Conduct Proposition 218 hearing (May 2024)

Actions and Timeline

- Board’s consideration and approval on the Draft Wastewater Rate Study Report
- If approved, the Report will be used by Staff to draft OMWD Prop 218 Wastewater (Sewer) Rate Hearing Notice
- DRAFT Notice will be brought to the Board for consideration at the March 20th Board meeting for mailing to OMWD’s sewer customers on March 25, 2024.

Q&A

RAFTELIS

Thank you!

Contact: Sudhir Pardiwala 626 827 8931 spardiwala@raftelis.com
John Wright 303 909 5575 Jwright@raftelis.com
Lindsay Roth 818 804 0454 Lroth@raftelis.com

Olivenhain Municipal Water District

Agenda Item 7

Memo

Date: February 7, 2024

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW OF DISTRICT INVESTMENTS AND CASH REPORT FOR THE FOURTH QUARTER OF 2023 (DECEMBER 2023)**

Purpose

The purpose of this agenda is to provide a report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented. The report provides documentation that the District has sufficient funds to meet its financial obligations for the next six months.

Background

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

All investments have been made in accordance with the District's Annual Statement of Investment Policy. A copy of District historic water and wastewater reserve fund balances is also provided and attached for review.

Staff will be available for discussion with the Committee during the meeting.

Attachments:

Attachment 1 - DRAFT Monthly Cash and Investment Summary Report as of December 31, 2023
Attachment 2 - Graphs showing 5-year history of reserve balances by fund

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of December 31, 2023

Active Deposits				Book Value
Checking Accounts				$ 4,703,609
Cash Restricted for Specific Use				2,652,882
Petty Cash/Disaster Preparedness				1,496
Total Active Deposits				$ 7,357,987
Deposits Not Covered by Investment Policy				
Cash with Fiscal Agents				1,899,025
Investments	**Face Value**	**Market Value**	**Current Yield**	
LAIF	$ 5,517,150	5,441,608	3.93%	$ 5,517,150
CAMP - US Bank	24,102,189	24,102,189	5.55%	24,102,189
Money Market Funds	5,145,418	5,145,418	4.88%	5,145,418
Municipal Bonds	1,000,000	1,008,300	4.96%	1,216,760
U.S. Treasury Securities	17,550,000	17,348,781	4.91%	17,336,864
U.S. Agency Securities	31,725,000	30,029,087	0.91%	31,722,000
Total Investments	$ 85,039,758	$ 83,075,383	3.59%	$ 85,040,381
Total - All Deposits/Investments				**$ 94,297,394**

Maturity Analysis of Investments

	Percent	Balance
Demand Deposits	40.9%	$ 34,764,758
Maturity within the next two months	17.2%	14,633,233
Maturity within three months and one year	13.4%	11,415,947
Maturity beyond one year	28.5%	24,226,444
Total Investments	**100.0%**	**$ 85,040,381**
Weighted Average Days to Maturity	**246**	

Other Required Disclosures:

Accrued interest receivable as of 12/31/2023 $ 293,588

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2023.

The District has sufficient funds on hand to meet the next 60 days' obligations.

Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
December 31, 2023

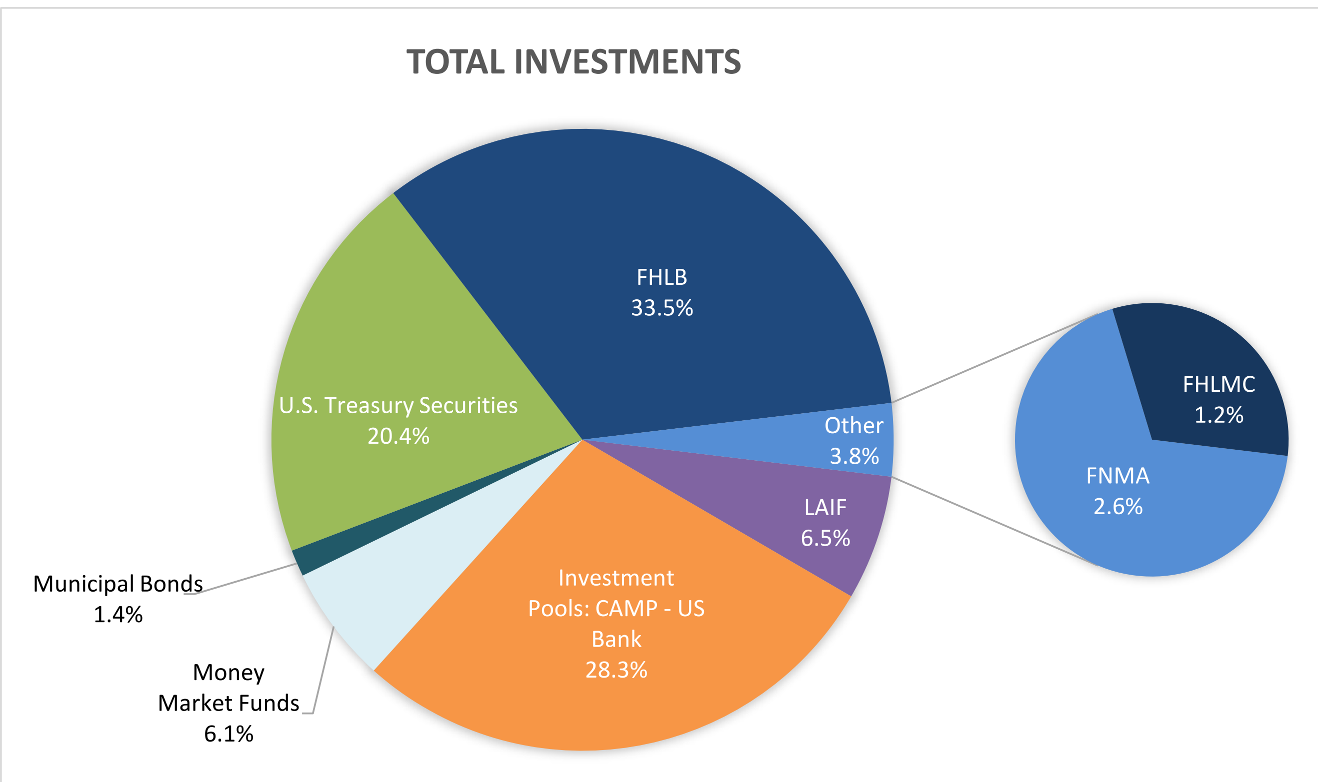
		Book Value	Percent	Permitted Percent		In Compliance?
LAIF		$ 5,517,150	6.5%	50.0%	(1)	Yes
Investment Pools: CAMP - US Bank		24,102,189	28.3%	30.0%		Yes
Money Market Funds		5,145,418	6.1%	20.0%	(2)	Yes
Municipal Bonds		1,216,760	1.4%	30.0%		Yes
U.S. Treasury Securities		17,336,864	20.4%	100.0%	(3)	Yes
U.S. Agency Securities		31,722,000	37.3%	50.0%		Yes
FHLB	*Federal Home Loan Bank*	*28,472,000*	*33.5%*			
FNMA	*Fannie Mae*	*2,250,000*	*2.6%*			
FHLMC	*Freddie Mac*	*1,000,000*	*1.2%*			
Total Investments		**$ 85,040,381**	**100%**			

Note:

(1) No more than 50% of the total value of all District Investments or $40 million.

(2) May not exceed 5% in any money market fund.

(3) No limit.



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
December 31, 2023

ACTIVE DEPOSIT		Book Value
Checking A/C:	California Bank and Trust for General Purpose	4,703,609
	California Bank and Trust for Specific Purpose	429,243
CAMP 2021A Bond		2,223,639
Petty Cash/Disaster Preparedness		1,496
	Total - Active Deposits	**7,357,987**

DEPOSITS NOT COVERED BY INVESTMENT POLICY		
Cash with Fiscal Agents:		
	Union Bank - RAD 96-1 Refunding Bond	262,847
	Union Bank - 2015A Refunding Bond	12,094
	SRF Loan	1,610,715
	Union Bank - 2016A Refunding Bond	8,298
	Union Bank - 2021A WW Revenue Bond	1,655
	Union Bank - 2021B Refunding Bond	3,416
	Total Deposits Not Covered by Investment Policy	**1,899,025**

		RATING		DATE				Weighted Average Days to		*Stated*	*Current*			
		Moody's	S&P	Purchase	Maturity	Next Call	Next S-U	Maturity	Call	*Coupon*	*Yield*	Market Value	Face Value	Book Value
INVESTMENTS														
Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)				Demand			1			5.55%	$ 24,102,189	$ 24,102,189	$ 24,102,189
State Local Agency Investment Fund (LAIF)					Demand			1			3.93%	5,441,608	5,517,150	5,517,150
First American Government 31846V567					Demand			1			5.26%	1,158,504	1,158,504	1,158,504
CB&T Money Market Account					Demand			1			4.77%	3,986,914	3,986,914	3,986,914
U.S. Treasury Notes/Bills														
912797FW2	U.S. Treasury Bills	Aaa	-	09/26/23	01/04/24			5		5.39%	5.39%	1,199,652	1,200,000	1,183,150
912797GC5	U.S. Treasury Bills	Aaa	-	07/14/23	01/11/24			12		5.35%	5.36%	1,997,380	2,000,000	1,959,149
912797GC5	U.S. Treasury Bills	Aaa	-	10/12/23	01/11/24			12		5.41%	5.41%	1,498,035	1,500,000	1,469,362
912796ZY8	U.S. Treasury Bills	Aaa	-	10/26/23	01/25/24			26		5.40%	5.41%	996,630	1,000,000	986,728
912797JD0	U.S. Treasury Bills	Aaa	-	11/09/23	02/13/24			45		5.37%	5.40%	993,840	1,000,000	986,110
912797JE8	U.S. Treasury Bills	Aaa	-	11/16/23	02/20/24			52		5.34%	5.38%	1,191,396	1,200,000	1,183,424
912797GP6	U.S. Treasury Bills	Aaa	-	11/30/23	02/29/24			61		5.34%	5.38%	2,627,528	2,650,000	2,615,310
912797GX9	U.S. Treasury Bills	Aaa	-	12/14/23	03/14/24			75		5.32%	5.37%	1,979,240	2,000,000	1,974,464
912797JJ7	U.S. Treasury Bills	Aaa	-	11/29/23	03/19/24			80		5.34%	5.40%	988,880	1,000,000	984,070
912797LL9	U.S. Treasury Bills	Aaa	-	12/21/24	03/21/24			82		5.31%	5.37%	1,977,220	2,000,000	1,973,934
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	09/30/24			275		0.50%	0.54%	924,100	1,000,000	984,478
912828YH7	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26			791		1.50%	1.54%	974,880	1,000,000	1,036,684
								57		**4.85%**	**4.91%**	**$ 17,348,781**	**$ 17,550,000**	**$ 17,336,864**
U.S. Agency Securities														
3135GAEU1	FNMA Callable	Aaa	AA+	02/13/23	02/09/24			41		5.13%	5.13%	999,630	1,000,000	1,000,000
3130ARYU9	FHLB Callable	Aaa	AA+	05/23/22	02/23/24	02/23/24		55	55	3.00%	3.01%	996,590	1,000,000	1,000,000
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	02/26/24		58	58	0.40%	0.40%	1,240,750	1,250,000	1,250,000
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/24	Anytime		58	1	0.22%	0.22%	991,730	1,000,000	1,000,000
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	03/03/24		156	64	0.40%	0.41%	489,910	500,000	500,000
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	03/10/24		163	71	0.30%	0.31%	978,540	1,000,000	999,000
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	03/16/24		261	77	0.50%	0.52%	968,670	1,000,000	1,000,000
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	03/17/24		292	78	0.50%	0.52%	965,000	1,000,000	1,000,000
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime		310	1	0.43%	0.45%	1,924,980	2,000,000	2,000,000
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	02/18/24	02/18/24	416	50	0.75%	0.78%	965,650	1,000,000	1,000,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	02/27/24		425	59	0.66%	0.69%	958,980	1,000,000	1,000,000
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/24		576	211	0.65%	0.69%	943,390	1,000,000	1,000,000
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	03/15/24	06/15/24	716	76	0.75%	0.79%	1,888,700	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	01/26/24		758	27	0.50%	0.54%	924,680	1,000,000	999,500
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/24		760	29	0.52%	0.56%	924,870	1,000,000	1,000,000
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/24		760	29	0.50%	0.54%	924,480	1,000,000	1,000,000
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	01/29/24		761	30	0.52%	0.56%	924,780	1,000,000	1,000,000
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	02/12/24		775	44	0.51%	0.55%	922,880	1,000,000	1,000,000
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	02/24/24	None	787	56	0.70%	0.76%	1,850,360	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	02/24/24		787	56	0.63%	0.68%	924,040	1,000,000	1,000,000
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24		788	57	0.55%	0.60%	922,430	1,000,000	1,000,000
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24		788	57	0.58%	0.63%	923,040	1,000,000	1,000,000
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24		788	57	0.70%	0.76%	925,470	1,000,000	1,000,000
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24		788	57	0.63%	0.68%	923,950	1,000,000	998,500
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	01/23/24		814	24	1.00%	1.08%	905,697	975,000	975,000
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	03/30/24	03/30/24	821	91	1.00%	1.06%	942,280	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	01/14/24	04/14/24	836	15	1.00%	1.06%	940,700	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	01/21/24		1,026	22	1.10%	1.20%	915,120	1,000,000	1,000,000
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	01/28/24		1,033	29	1.38%	1.49%	921,790	1,000,000	1,000,000
								578	**52**	**0.86%**	**0.91%**	**$ 30,029,087**	**$ 31,725,000**	**$ 31,722,000**
Medium Term Notes														
								-	**-**	**#DIV/0!**	**0.00%**	**$ -**	**$ -**	**$ -**
Municipal Bonds														
882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25			641		5.00%	4.96%	1,008,300	1,000,000	1,216,760
								25		**5.00%**	**4.96%**	**$ 1,008,300**	**$ 1,000,000**	**$ 1,216,760**
	Total Investments							**246**		**3.50%**	**3.59%**	**$ 83,075,383**	**$ 85,039,758**	**$ 85,040,381**
TOTAL - ALL DEPOSITS AND INVESTMENTS													**$**	**94,297,394**

Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
December 31, 2023

PURCHASED

DATE					Stated	Current		
Purchase	Maturity	Call	Step-Up	Investment Description	Coupon	Yield	Face Value	Book Value
10/04/23	01/04/24			U.S. Treasury Bills	5.391%	5.442%	500,000	493,311
10/12/23	01/11/24			U.S. Treasury Bills	5.407%	5.464%	1,500,000	1,469,362
10/26/23	01/25/24			U.S. Treasury Bills	5.395%	5.463%	1,000,000	986,728
11/09/23	02/13/24			U.S. Treasury Bills	5.370%	5.429%	1,000,000	986,110
11/16/23	02/20/24			U.S. Treasury Bills	5.340%	5.404%	1,200,000	1,183,424
11/29/23	03/19/24			U.S. Treasury Bills	5.338%	5.424%	1,000,000	984,070
11/30/23	02/01/24			U.S. Treasury Bills	5.335%	5.406%	2,650,000	2,615,310
12/14/23	03/14/24			U.S. Treasury Bills	5.318%	5.374%	2,000,000	1,974,464
12/21/24	03/21/24			U.S. Treasury Bills	5.311%	5.372%	2,000,000	1,973,934

MATURED / REDEEMED / CALLED

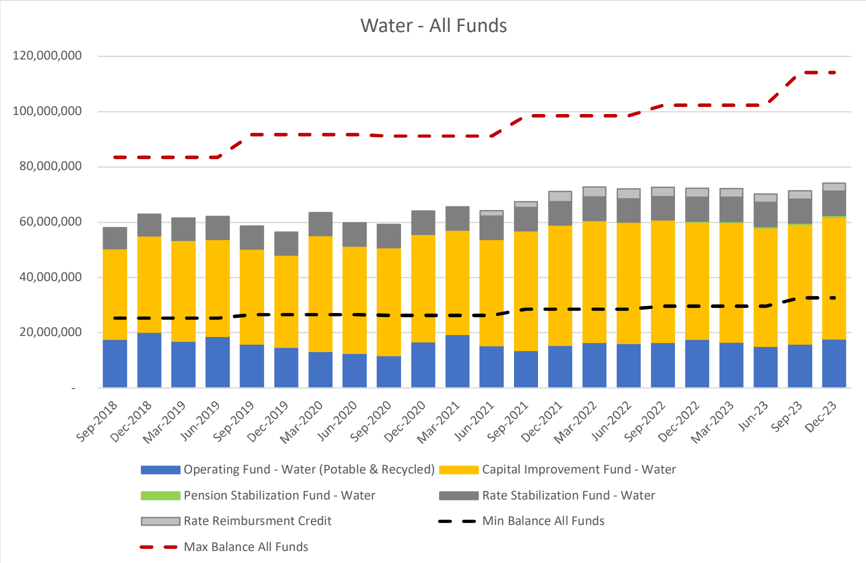
DATE					Stated	Current		
Redemption	Maturity	Call	Step-Up	Investment Description	Coupon	Yield	Face Value	Book Value
10/01/23	10/01/23			Medium Term Note	2.300%	2.300%	500,000	497,940
10/12/23	10/12/23			U.S. Treasury Bills	5.338%	5.346%	1,500,000	1,480,568
10/26/23	10/26/23			U.S. Treasury Bills	5.386%	5.405%	1,000,000	986,786
11/09/23	11/09/23			U.S. Treasury Bills	5.356%	5.362%	1,000,000	982,743
11/16/23	11/16/23			U.S. Treasury Bills	5.379%	5.391%	1,000,000	986,804
11/24/23	11/24/23			U.S. Treasury Bills	5.399%	5.417%	1,100,000	1,085,428
11/24/23	11/24/23	11/24/23		FHLB Callable	2.500%	2.505%	550,000	550,000
11/30/23	11/30/23			U.S. Treasury Bills	5.399%	5.422%	2,000,000	1,973,438
12/14/23	12/14/23			U.S. Treasury Bills	5.401%	5.411%	1,000,000	986,748
12/18/23	12/18/23			FHLB Discount Note	4.765%	4.777%	1,000,000	957,913
12/21/23	12/21/23			U.S. Treasury Bills	5.393%	5.409%	2,000,000	1,973,535
12/29/23	03/29/28	12/29/23		FHLB Callable	6.000%	6.023%	1,000,000	1,000,000

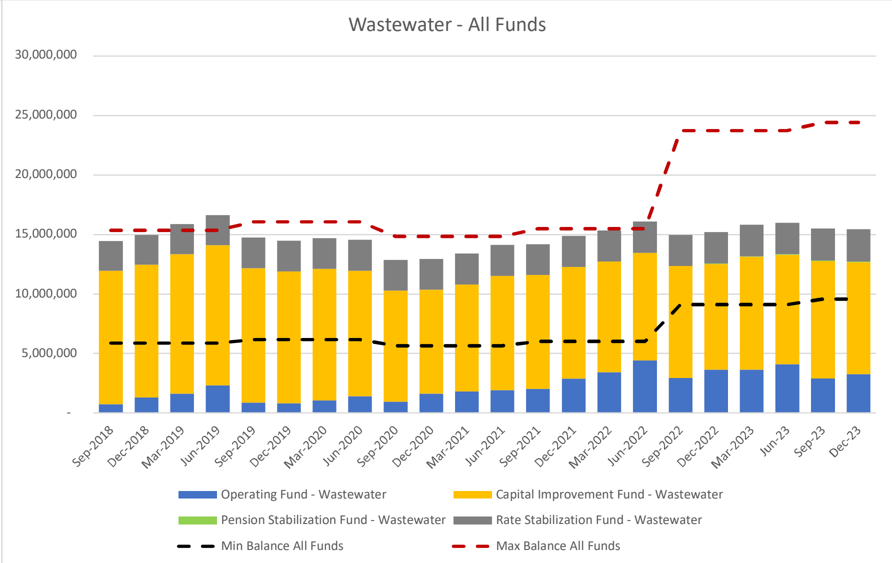
Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of December 31, 2023

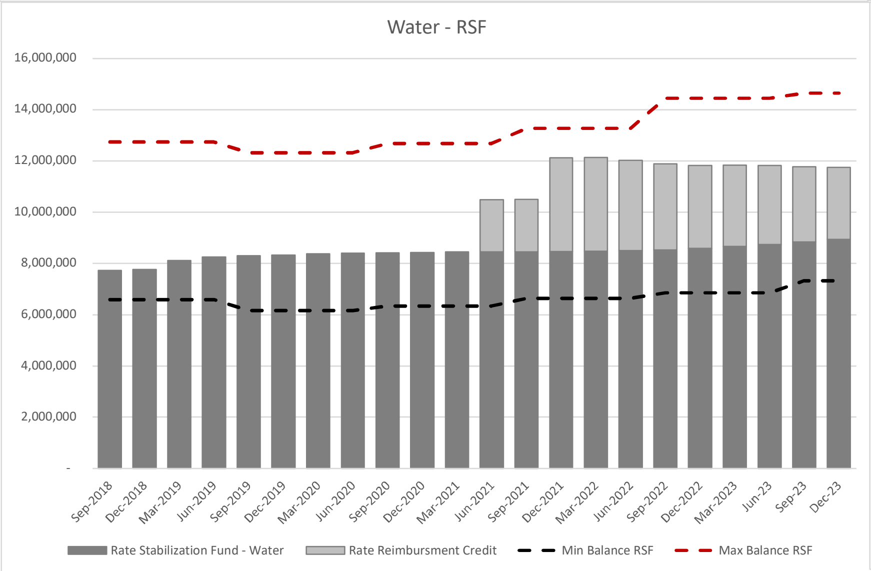
		Balance
Water Funds (Potable & Recycled)		
10050-100	Cash - Petty Cash Fund	1,496
10010-100	Cash - Operating Fund	17,668,853
10030-100	Cash - Capital and Equipment Fund	37,624,557
10040-100	Cash - Rate Stabilization Fund	11,750,479
10080-100	Cash - Pension Stabilization Fund	668,850
10060-100	Cash - Deposit Work for Other	157,134
14000-500	Restricted Cash - Capacity Fee Fund	6,414,669
Total Water Funds (Potable & Recycled)		**74,286,038**
Wastewater Funds		
10010-110	Wastewater - Operating Fund	3,245,201
10030-110	Wastewater - Capital Replacement Fund	9,442,805
10040-110	Wastewater - Rate Stabilization Fund	2,711,170
10080-110	Cash - Pension Stabilization Fund	60,272
Total Wastewater Funds		**15,459,448**
Non Fiscal Agent Debt Service Cash		
14020-570	Cash non-agent - RAD 96-1	418,043
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
14020-521	Cash non-agent - Bond 2021A	2,223,639
14020-522	Cash non-agent - Bond 2021B	-
Total Non Fiscal Agent Debt Service Cash		**2,652,882**
Debt Service Funds		
14030-510	SRF Loan - Fiscal Agent	1,610,715
14105-570	Redemption fund - RAD 96-1	214,197
14110-570	Reserve fund - RAD 96-1	48,649
14100-561	Redemption fund - Bond 2015A	12,094
14100-581	Redemption fund - Bond 2016A	8,298
14100-521	Redemption fund - Bond 2021A	1,655
14100-522	Redemption fund - Bond 2021B	3,416
Total Debt Service Funds		**1,899,025**
TOTAL FUND BALANCES		**94,297,394**

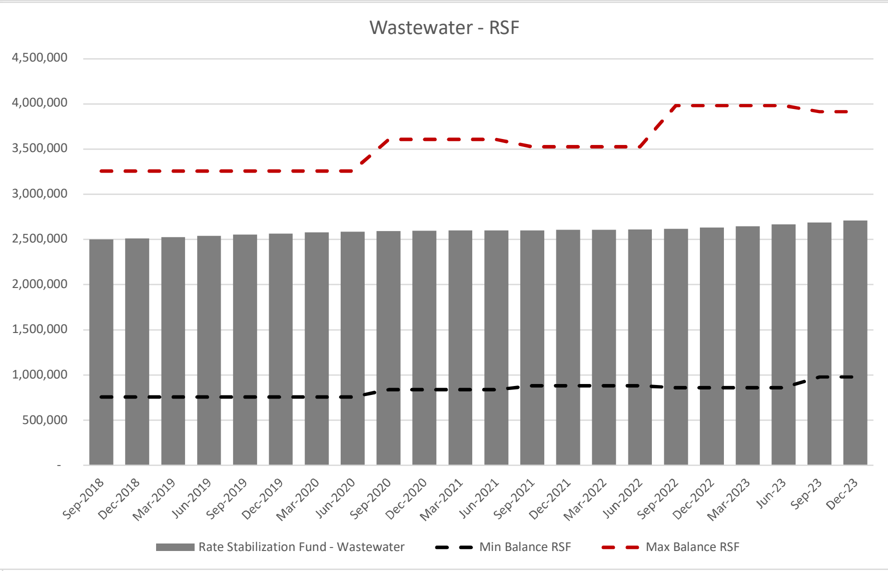
Attachment 2

5 Year History of OMWD Fund Balances by Quarter

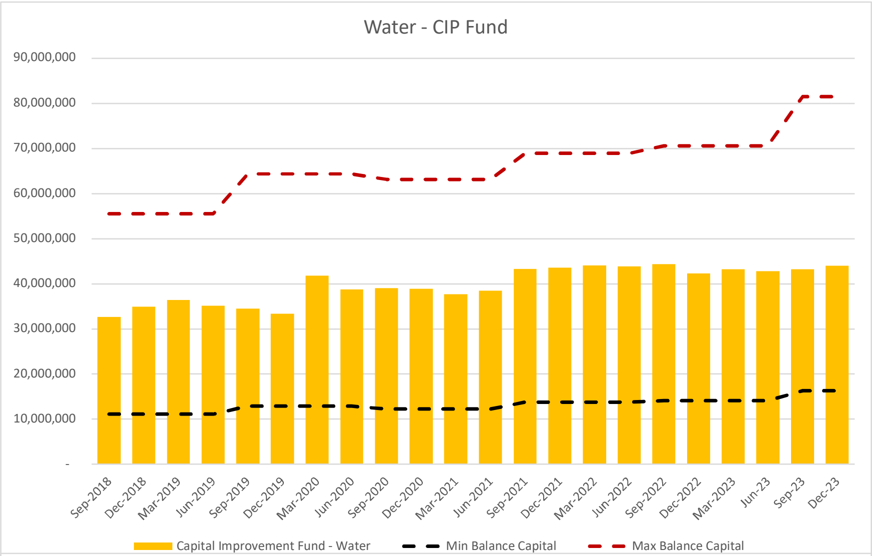


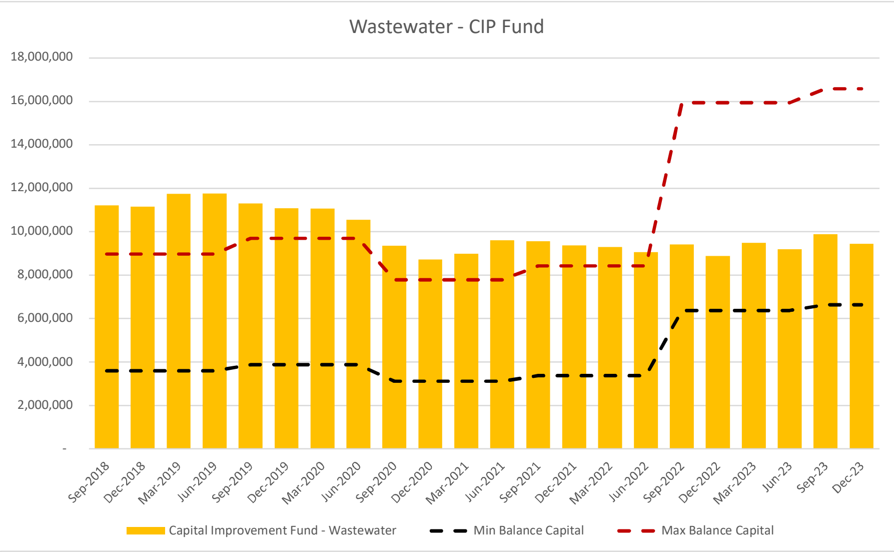


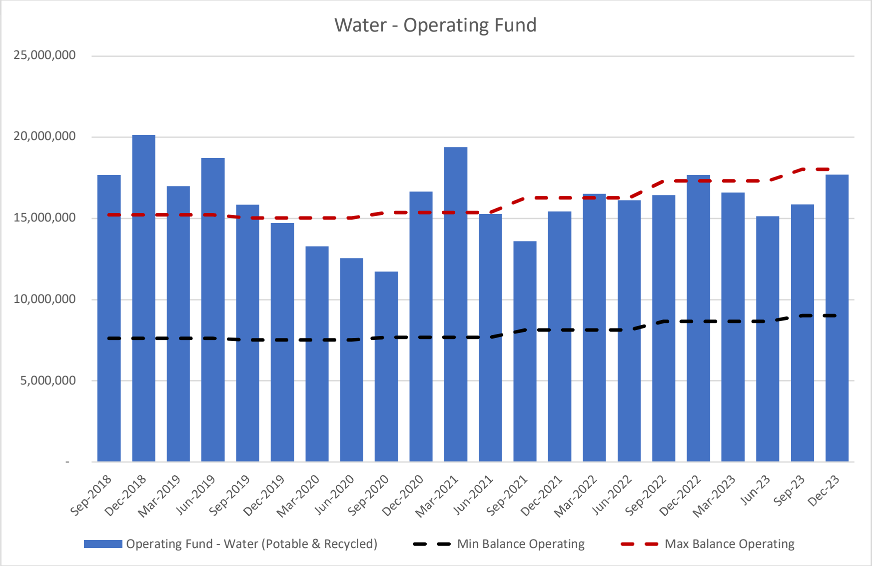


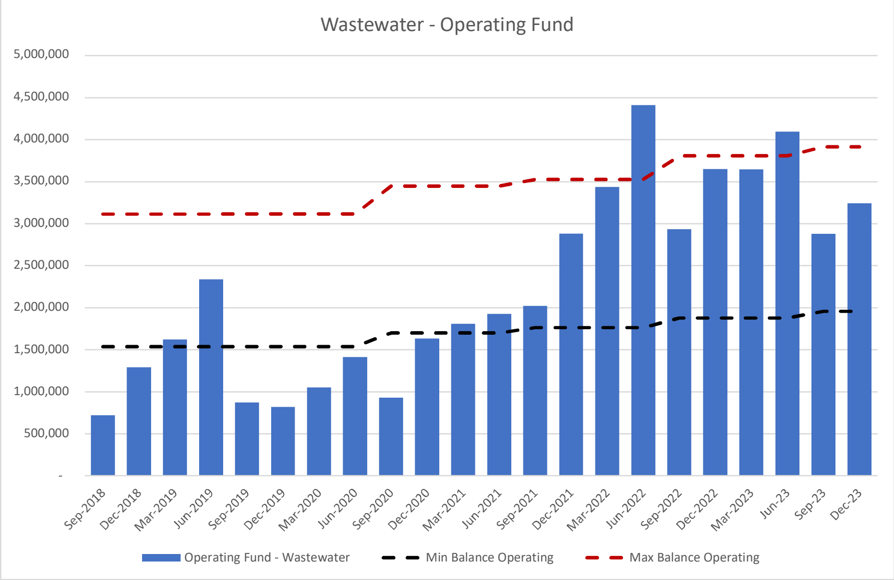


5 Year History of OMWD Fund Balances by Quarter









Olivenhain Municipal Water District

Agenda Item 7a

Memo

Date: February 7, 2024

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **UPDATE LIST OF OMWD APPROVED INVESTMENT BROKERAGE FIRMS**

The purpose of this item is to update the list of approved investment brokerage firms.

Mutual Securities, which is currently listed as one of the approved investment broker firms, can no longer provide broker services for OMWD. Not updating the existing list will leave staff with one less approved investment brokerage firm for getting quotes when buying securities for OMWD.

A copy of MBS Due Diligence packet is attached for review by the Committee. Staff will be available for discussion at the meeting.

Attachment: MBS Due Diligence Packet

MULTI-BANK SECURITIES, INC.®

2023 Municipal Due Diligence

RENE MOLINA

SENIOR VICE PRESIDENT, FIXED INCOME

PHONE: +1 (800) 967-9011

RMOLINA@MBSSECURITIES.COM

Please send all correspondence to Corporate Headquarters:

Multi-Bank Securities, Inc.

1000 Town Center, Suite 2300 • Southfield, MI 48075 • www.mbssecurities.com

Proudly Veteran-Owned!

The information provided in the following pages has been prepared to meet or exceed your regulatory requirements.
Member of FINRA & SIPC; MSRB Registered. MBS 2023 DD Muni eCD E.pdf 04.07.23

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MULTI-BANK SECURITIES, INC.®

Dear Valued Customers and Prospective Clients,

Thank you for your interest in Multi-Bank Securities, Inc. (MBS). We understand you have numerous options for your investment needs, and we appreciate you taking the time to learn more about our Firm.

Our goal is to deliver quality services and sound financial solutions to our customers by dedicating our resources exclusively to the fixed-income sector. We hope you will find that this document addresses everything you need to complete your due diligence on our Firm. We have included information on both MBS and our clearing firm: Pershing LLC (Pershing), a BNY Mellon company.

Here are a few ways our customers experience the MBS difference:

Stability: MBS is a privately held, fixed-income securities broker-dealer with a 35-year history of serving institutional investors. We work with thousands of institutions nationwide and have several offices across the country to serve your needs.

Veteran Status: We are a veteran-owned firm and are certified as a **Service-Disabled Veteran-Owned Business (SDVOB)** by the National Veteran Business Development Council (NVBDC).

Investment Products: MBS specializes in a broad selection of fixed-income investment products and services, including an array of U.S. Treasuries, agencies and certificates of deposit (CDs). **We traded $204 billion in principal amount for our clients in 2022.**

Underwriting: MBS is proud to be an approved underwriter of agency debt for Fannie Mae, Freddie Mac, Farmer Mac, the Federal Home Loan Banks and the Federal Farm Credit Banks. MBS is also an active underwriter of CDs, corporate bonds, municipal bonds and mortgage-backed securities.

Proprietary Technology: MBS offers a **proprietary online investment platform, eConnectDirect®.** This tool allows users to easily compare thousands of investment options across a variety of asset classes and submit order requests online.

Value-Added Services: We offer an array of value-added services to our clients, including portfolio analytics and third-party safekeeping through Pershing.

We also encourage you to learn more about our Firm's FINRA broker-dealer status at www.finra.org – our CRD number is 22098.

Please do not hesitate to reach out to me or your account representative if you have any questions or require additional information. You can contact me directly at 1-800-967-9055 or davemac@mbssecurities.com.

Sincerely,

David T. Maccagnone

David T. Maccagnone
Chairman and Chief Executive Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300
Southfield, Michigan 48075
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Fax (248) 291-1101
www.mbssecurities.com

2400 East Commercial Boulevard, Suite 1000
Fort Lauderdale, Florida 33308
(800) 967-9045
(954) 351-6930
(954) 351-9197

Member of FINRA & SIPC; MSRB Registered.
Proudly Veteran-Owned!

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MULTI-BANK SECURITIES, INC.®

Multi-Bank Securities, Inc. (MBS) is committed to providing you with the highest quality service available. We hope this packet will meet or exceed your due diligence needs and expectations.

MBS has clients in all 50 U.S. states and territories. References are available upon request.

THE FOLLOWING INFORMATION IS PROVIDED TO SUPPORT YOUR DUE DILIGENCE REQUIREMENTS:

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NATIONAL VETERAN BUSINESS DEVELOPMENT COUNCIL

NVBDC CERTIFIED
SERVICE DISABLED
VETERAN OWNED BUSINESS

CERTIFICATION

is hereby granted to:

Multi-Bank Securities, Inc.

The National Veteran Business Development Council certifies that the named entity has met all criteria established to be recognized as a Service Disabled Veteran Owned Business (SDVOB)

Keith King, CEO

October 31, 2022	Y4LGXX9Y
Date Earned	Certificate Code
November 01, 2023	523120
Date Expires	NAICS Codes

NATIONAL VETERAN BUSINESS DEVELOPMENT COUNCIL NON-PROFIT SEAL MICHIGAN 2013

NEW YORK
STATE OF
OPPORTUNITY.

Office of General Services
Division of Service-Disabled Veterans' Business Development

Multi-Bank Services, LTD and Multi-Bank Securities, Inc.

Is hereby certified as a

New York State Service-Disabled Veteran-Owned Small Business (SDVOB)

October 1, 2018

181716
Control Number

Director
Division of Service-Disabled Veterans' Business Development

EXCELSIOR

Andrew M. Cuomo
Governor

September 30, 2023
Expiration Date

Commissioner
New York State
Office of General Services

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY

Your unified certification source
www.sctrca.org

March 9, 2022

David Maccagnone
Multi-Bank Securities, Inc.
1000 Town Center, Suite 2300
Southfield, MI 48075

Dear David Maccagnone:

We are pleased to inform you that your application for certification in our Small, Minority, Woman and Veteran Business Enterprise (S/M/W/V) Program has been approved. Your firm met the requirements of the SCTRCA Policy and Procedure Manual and is currently certified as a:

***DIBE VBE**

Certification Number: **222031567**
Certification Expiration: **March 31, 2024**

Providing the following products or services:
NAICS 523: SECURITIES, COMMODITY CONTRACTS, AND OTHER FINANCIAL INVESTMENTS AND RELATED ACTIVITIES
NAICS 5231: SECURITIES AND COMMODITY CONTRACTS INTERMEDIATION AND BROKERAGE
NAICS 5239: OTHER FINANCIAL INVESTMENT ACTIVITIES

On the two year anniversary date of your certification, you are required to provide a renewal application affirming that no changes have occured affecting your certification status. The SCTRCA will send you a Certification Renewal reminder **sixty (60) days** prior to your expiration date. The SCTRCA will no longer include a certificate upon certification renewals. **Your expiration date is March 31, 2024.**

Please notify this office within **thirty (30) days** of any changes affecting the size, ownership, control requirements, or any material change in the information provided in the submission of the certification application. Thank you in advance.

Sincerely,

Charles Johnson,
Executive Director

South Central Texas Regional Certification Agency of Bexar County, Texas hereby duly affirms that:

Multi-Bank Securities, Inc.

has successfully met the established requirements of SCTRCA's Business Enterprise Certification Program to be certified as a

*DIBE VBE

Certified NAICS Codes

NAICS 523: SECURITIES, COMMODITY CONTRACTS, AND OTHER FINANCIAL INVESTMENTS AND RELATED ACTIVITIES
NAICS 5231: SECURITIES AND COMMODITY CONTRACTS INTERMEDIATION AND BROKERAGE
NAICS 5239: OTHER FINANCIAL INVESTMENT ACTIVITIES

SOUTH CENTRAL TEXAS ★ REGIONAL CERTIFICATION AGENCY ★

Certification Number: 222031567
Effective Date: March 9, 2022
Expiration Date: March 31, 2024

Charles Johnson
Executive Director

Note: This certificate is the property of the South Central Texas Regional Certification Agency and may be revoked should the above named firm graduate from or fails to comply with SCTRCA's Business Enterprise Program. A Certification Renewal Application is required every two years.

Data Current as of:
Wednesday, March 1, 2023
CRD#: 22098

Regulatory, State & Territory Registrations

Jurisdiction/SRO	Category	Status	Status As Of Date
AK	Broker Dealer	Approved	03/27/1997
AL	Broker Dealer	Approved	11/07/1994
AR	Broker Dealer	Approved	05/02/1997
AZ	Broker Dealer	Approved	10/11/2001
CA	Broker Dealer	Approved	03/30/1994
CO	Broker Dealer	Approved	04/23/1991
CT	Broker Dealer	Approved	08/20/1998
DC	Broker Dealer	Approved	03/30/1994
DE	Broker Dealer	Approved	10/11/1994
FINRA	Broker Dealer	Approved	12/23/1988
FL	Broker Dealer	Approved	02/05/1991
GA	Broker Dealer	Approved	02/28/1994
HI	Broker Dealer	Approved	04/05/1995
IA	Broker Dealer	Approved	03/31/1994
ID	Broker Dealer	Approved	03/20/1997
IL	Broker Dealer	Approved	07/13/1989
IN	Broker Dealer	Approved	03/24/1997
KS	Broker Dealer	Approved	05/04/1994
KY	Broker Dealer	Approved	03/08/1994
LA	Broker Dealer	Approved	09/07/1994
MA	Broker Dealer	Approved	07/25/1994
MD	Broker Dealer	Approved	03/11/1994
ME	Broker Dealer	Approved	05/24/1994
MI	Broker Dealer	Approved	08/31/1988
MN	Broker Dealer	Approved	09/02/1994
MO	Broker Dealer	Approved	05/02/2002
MS	Broker Dealer	Approved	03/04/1994
MT	Broker Dealer	Approved	02/14/1994
NC	Broker Dealer	Approved	08/02/1994
ND	Broker Dealer	Approved	04/25/1997
NE	Broker Dealer	Approved	11/02/1994

MULTI-BANK SECURITIES, INC.®

DATA CURRENT AS OF: Wednesday, March 1, 2023 (Continued)
CRD#: 22098
REGULATORY, STATE & TERRITORY REGISTRATIONS

Jurisdiction/SRO	Category	Status	Status As Of Date
NH	Broker Dealer	Approved	09/28/1995
NJ	Broker Dealer	Approved	11/09/1994
NM	Broker Dealer	Approved	08/02/1994
NV	Broker Dealer	Approved	05/23/1994
NY	Broker Dealer	Approved	06/05/1996
OH	Broker Dealer	Approved	11/21/1994
OK	Broker Dealer	Approved	06/04/1991
OR	Broker Dealer	Approved	04/04/1997
PA	Broker Dealer	Approved	03/07/1994
PR	Broker Dealer	Approved	02/10/2000
RI	Broker Dealer	Approved	03/02/1994
SC	Broker Dealer	Approved	08/04/1994
SD	Broker Dealer	Approved	03/04/1994
SEC	Broker Dealer	Approved	05/06/1988
TN	Broker Dealer	Approved	08/04/1994
TX	Broker Dealer	Approved	06/29/1990
UT	Broker Dealer	Approved	01/19/1994
VA	Broker Dealer	Approved	05/16/1994
VI	Broker Dealer	Approved	01/30/2012
VT	Broker Dealer	Approved	06/18/1997
WA	Broker Dealer	Approved	10/04/1989
WI	Broker Dealer	Approved	09/06/1991
WV	Broker Dealer	Approved	01/28/1994
WY	Broker Dealer	Approved	08/08/1994

MBS MULTI-BANK SECURITIES, INC.®

March 1, 2023

To Whom It May Concern:

This letter is to inform you that we at Multi-Bank Securities, Inc. (MBS) do not give accounting, regulatory, tax or legal advice. However, MBS makes every effort to recommend investments we feel are appropriate for our clients. It is our intention to maintain on file an investment policy from every one of our clients.

If you have a written investment policy outlining the types of investments you can and cannot make, please forward it to us at your convenience. We have designed a system of controls to help reduce the risk of inappropriate investments for our clients.

Sincerely,

David T. Maccagnone

David T. Maccagnone
Chief Executive Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300
Southfield, Michigan 48075
Phone (800) 967-9045
(248) 291-1100
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MULTI-BANK SECURITIES, INC.®

Municipal Investing Policy

Recommendations and Guidelines

Your Investment Policy

Since 1988, Multi-Bank Securities, Inc. (MBS) has been serving the investment needs of municipalities throughout the U.S. It is with great care that we recommend investment products we feel are appropriate and strictly adhere to your investment policy guidelines. We have systems in place to assist you in reducing the risk of making inappropriate investments.

Maintenance of Your Investment Policy

It is our policy to review and maintain a copy of your investment policy on file. Should your policy need reviewing, your MBS account representative is ready to help. Our team of highly skilled professionals is required to regularly complete continuing education to ensure a broad understanding of how fixed-income products impact the municipal market. They are well-versed in current regional, state and federal governmental investment statutes and policies.

Developing Your Investment Policy

Information about developing and evaluating an investment policy is available on the Multi-Bank Securities Institute website. This online resource focuses on educating and supporting investment professionals of all experience and skill levels. There is no cost associated with the website, but visitors will have to register to view the Public Funds Investor Guide.* Explore the site at https://institute.mbssecurities.com.

National municipal organizations such as the Association of Public Treasurers of the United States & Canada (APT) and the Government Finance Officers Association (GFOA) also make sample investment policy guidelines and recommendations available to governmental entities. To receive a free copy, please contact your MBS account representative.

Rene Molina
Senior Vice President, Fixed Income
CRD# 1322709
(800) 967-9011 direct
rmolina@mbssecurities.com

Rene Molina joined Multi-Bank Securities, Inc. as a senior vice president in 2023, exclusively servicing institutional clients who trade in U.S. Treasuries, agencies, mortgage-backed securities and corporate debt.

Rene strives to put his clients first, and is frequently at his desk from 5 a.m. to 5 p.m. PT to help clients on both coasts. His 39 years of sales experience enable him to deliver attentive service and thorough communication to his clients. Rene primarily works with large institutional clients' investment portfolios, helping his clients implement their investment strategies with suitable products that adhere to their investment policies.

Rene graduated from the University of Southern California (USC) with a bachelor's degree in finance and business economics. He began his career as an institutional bond trader after graduating in 1984.
Rene currently holds the following FINRA licenses: a General Securities Registered Representative (Series 7), a General Securities Principal (Series 24), a Municipal Advisor Representative (Series 50) and a Uniform Securities Agent State Law Representative (Series 63).

Rene has been married for 39 years to his wife Norma. They have three children, Raquel, Adam and Christian; and two granddaughters, 12-year-old Layla and 7-year-old Kamryn.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
OMB Number: 3235-0123
Expires: Oct. 31, 2023
Estimated average burden hours per response: 12

SEC FILE NUMBER
8-39547

ANNUAL REPORTS
FORM X-17A-5
PART III

FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2022 (MM/DD/YY) AND ENDING 12/31/2022 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Multi-Bank Securities, Inc.

TYPE OF REGISTRANT (check all applicable boxes):

☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant

☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

1000 Town Center Drive Suite 2300
(No. and Street)

Southfield	Michigan	48075
(City)	(State)	(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

JEFFERY MACCAGNONE	(248)291-1100	jeffmac@mbssecurities.com
(Name)	(Area Code – Telephone Number)	(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

Carnaghi & Schwark PLLC
(Name – if individual, state last, first, and middle name)

30435 Groesbeck Hwy	Roseville	MI	48066
(Address)	(City)	(State)	(Zip Code)

05/19/2009	3421
(Date of Registration with PCAOB)(if applicable)	(PCAOB Registration Number, if applicable)

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, JEFFERY MACCAGNONE, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Multi-Bank Securities, Inc., as of 12/31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

Signature:

Title: President

Stephanie M Wood

Notary Public

STEPHANIE M. WOOD
Notary Public, State of Michigan
County of Wayne
My Commission Expires Apr. 00, 2026
Acting in the County of Oakland

This filing contains (check all applicable boxes):**

- ■ (a) Statement of financial condition.
- ■ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ■ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ■ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ■ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: ____

***To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.*

MULTI- BANK SECURITIES, INC

STATEMENT OF FINANCIAL CONDITION

December 31, 2022

Filed Pursuant to Rule 17a-5 (e) (3) Under the Securities Exchange Act of 1934

As a Public Document

Carnaghi & Schwark, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
UPTON PROFESSIONAL BUILDING
30435 GROESBECK HIGHWAY
ROSEVILLE, MICHIGAN 48066

Anthony L. Carnaghi, CPA
Douglas W. Schwark, CPA

(586) 779-8010
FAX (586) 317-6135

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholder of Multi-Bank Securities, Inc.
Southfield, Michigan

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Multi-Bank Securities, Inc. as of December 31, 2022, and the related notes to the financial statements. In our opinion, the statement presents fairly, in all material respects, the financial position of Multi-Bank Securities, Inc. as of December 31, 2022 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of Multi-Bank Securities, Inc.'s management. Our responsibility is to express an opinion on Multi-Bank Securities Inc.'s financial statement 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 Multi-Bank Securities, Inc. 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 statement is 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 statement, 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

Carnaghi + Schwark, PLLC

We have served as Multi-Bank Securities, Inc.'s auditor since 1989.
Roseville, Michigan
February 21, 2023

MULTI-BANK SECURITIES, INC
STATEMENT OF FINANCIAL CONDITION
December 31, 2022

ASSETS

	2022
Assets:	
Cash	$8,348,394
Accounts receivable:	
Brokers, dealers and clearing organization	76,217,929
Deposit - clearing organization	4,027,620
Other	47,595
Securities owned, at fair value (Note 3)	494,241,829
Prepaid expenses	422,528
Operating Lease Asset Short Term (Note 7)	391,758
Total current assets	583,697,653
Other assets:	
Operating Lease Asset Long Term Note 7)	2,434,180
Total other assets	2,434,180
Total Assets	$586,131,833

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Accounts payable:	
Commissions due sales representatives	$8,635,872
Other	181,949
Securities sold, not yet purchased, at fair value	446,501,164
Accrued expenses	4,317,642
Operating Lease Liability Short Term (Note 7)	391,758
Total current liabilities	460,028,385
Operating Lease Liability Long Term (Note 7)	2,434,180
Total long-term liabilities	2,434,180
Total Liabilities	462,462,565
Stockholder's equity:	
Common stock, par value $1.00 per share; 50,000 shares authorized; 16,000 shares issued	16,000
Capital in excess of par value	66,192,000
Retained Earnings	57,461,268
Total stockholder's equity	123,669,268
Total Liabilities and Stockholder's equity	$586,131,833

See accompanying notes.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 1 - ORGANIZATION

Multi-Bank Securities, Inc., (the "Company") is an institutional fixed-income securities broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the U.S. Securities and Exchange Commission. The Company is a wholly owned subsidiary of Multi-Bank Services, Ltd. See Note 4 for transactions with Parent Company.

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Securities Transactions and Revenue Recognition

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers, requires that an entity recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those services. Revenue is recognized when: (a) a contract with a client has been identified, (b) the performance obligation(s) in the contract have been identified, (c) the transaction's price has been determined, (d) the transaction's price has been allocated to each performance obligation in the contract, and (e) the Company has satisfied the performance obligation.

The following represents information on the recognition of the Company's revenue from contracts with customers:

Principal transactions revenue represents the actual mark-up and mark-down on securities sales to accounts and the unrealized gains and losses from securities owned and securities sold, not yet purchased. Principal transactions are recorded on the trade date of the transactions. Management reviewed the impact of any unsettled transactions and determined there are no material differences between the trade date and settlement date positions for the year ended December 31, 2022.

Securities owned and securities sold, not yet purchased are recorded at fair value in accordance with FASB ASC 820, Fair Value Measurements and Disclosures. See Note 3 - Fair Value.

Commissions and fees revenue represents commissions earned from executing customer transactions in equities, mutual funds and certificate of deposit placement fees. These transactions are recorded on a trade date basis.

Net interest trading revenue represents the coupon interest that the Company earns or pays on its securities positions.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk From Cash Deposits in Excess of Insured Limits

The Company maintains cash balances at financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts, and the Company believes it is not exposed to any significant risks on cash.

Receivable from and Payable to Brokers, Dealers, and Clearing Organization

Receivables from and payable to brokers, dealers, and clearing organizations include deposits of cash and/or securities with exchange clearing organizations. In addition, there are receivables and payables from fees and commissions arising from unsettled securities transactions.

Concentrations of Counterparty Credit Risk

The Company is engaged in various trading and brokerage activities with counterparties that primarily include broker-dealers, banks, and other financial institutions. In the event the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. The Company monitors its exposure to risk through a variety of control procedures, including daily review of trading positions.

Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market value of a particular financial instrument. All financial instruments are subject to market risk. The Company's exposure to market risk is determined by a number of factors, including size, duration, composition and diversification of positions held, the absolute and relative level of interest rates, and market volatility and liquidity. The Company manages risk by setting and monitoring adherence to risk limits and by hedging its positions.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 2 - SUMMARY OF SIGNFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

The Company files a consolidated federal income tax return with its Parent Company. The provision for Federal income tax for the year ended December 31, 2022 is based on a separate return filing.

The Company recognizes and measures its unrecognized tax benefits in accordance with FASB ASC 740, Income Taxes. The primary objective of ASC 740 is to prescribe measurement and disclosure requirements for income tax provisions when uncertainty exists as to whether the reporting entity's tax positions would be sustained in the event of an examination. Company management believes that there are no material uncertainties in which tax positions taken would not be sustained upon examination.

Subsequent Events

The Company has evaluated events and transactions for potential recognition or disclosure through February 21, 2023, which is the same date the financial statements were available to be issued.

Subsequent to year-end, the Company issued a $2.5 million ($2,500,000) dividend to its parent on January 9, 2023.

Note 3 - FAIR VALUE

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 3 - FAIR VALUE (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data).

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following table presents the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2022.

	Level 1	Level 2	Level 3	Total
Assets				
Corporate/Other Debt	-	$490,698	-	$490,698
U.S. Govt. & Agency	-	398,448,157	-	398,448,157
U.S. Treasuries	30,310,935	-	-	30,310,935
Municipal Debt	-	64,992,039	-	64,992,039
Total securities owned	$30,310,935	$463,930,894	-	$494,241,829
Liabilities				
U.S. govt. & agency	-	$ 365,068,989	-	$365,068,989
U.S. Treasuries	42,587,340	-	-	42,587,340
Equities	38,844,835	-	-	38,844,835
Total Securities sold, not yet purchased	$81,432,175	$365,068,989	-	$446,501,164

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 4 - TRANSACTIONS WITH PARENT COMPANY

The Parent Company, Multi-Bank Services, Ltd., provides various administrative services to the Company, including furniture and fixtures. For the year ended December 31, 2022 administrative expenses charged to the Company amounted to $300,000.

Note 5 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain net capital equivalent to the greater of $100,000 or 1/15th of aggregate indebtedness as defined.

At December 31, 2022, the Company's net capital was $109,570,400 and its required net capital was $875,698. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was .12 to 1.

Note 6 - EMPLOYEES' BENEFIT PLANS

The Company maintains a defined contribution benefit plan 401(k) to cover all eligible employees of the Company. Under provisions of the Plan, participating employees can elect to contribute to the account a percentage of their compensation not to exceed the limitations imposed by the Internal Revenue Service. In addition, the Company at its discretion may make a matching contribution, which percentage will be determined each year by the Company. For the year ended December 31, 2022 the Company elected not to make a matching contribution.

Note 7 - OPERATING LEASE OBLIGATIONS

The Company is a lessee in several operating leases for office space. Under ASC 842, Leases, a lessee is required to recognize a lease asset and a lease liability for operating lease arrangements greater than 12 months. The Company is a lessee in several operating leases for office space. The Company recognizes a right of use asset and a lease liability at the commencement date of the lease. Right of use assets and liabilities are recognized on the Company's balance sheet based at the present value of future lease payments relating to the use of the underlying asset during the lease terms. The Company uses its incremental borrowing rate as the discount rate in determining the present value of future lease payments since the implicit rate in the lease arrangement is not readily determinable. The incremental borrowing rate is based on the rate of interest it would have to pay on a collateralized basis to borrow an amount equivalent to the lease payments under similar terms and in a similar economic environment. The rate is presently determined to be 6.0%.

MULTI-BANK SECURITIES, INC
NOTES TO STATEMENT OF FINANCIAL CONDITION
December 31, 2022

Note 7 - OPERATING LEASE OBLIGATIONS (Continued)

The Company has operating leases for its primary operating facilities in Southfield, Michigan and Fort Lauderdale, Florida. They also lease facilities in various other states. The future minimum lease payments for these leases are summarized as follows:

Years Ended December 31	Amount
2023	438,112
2024	474,363
2025	478,278
2026	491,407
2027	402,064
2028-2033	1,547,328
Total	3,831,552
Imputed Interest Short Term	(46,354)
Imputed Interest Long Term	(959,260)
Total Operating Lease Balance	$2,825,938
Balance Sheet Operating Lease Asset & Liability	
Short Term Balance	391,758
Long Term Balance	2,434,180
Total Operating Lease Balance	2,825,938

The lease agreements include escalation clauses that increase the minimum rental payment for increased lessor taxes and operating expenses.

For the year ended December 31, 2022, the total lease expense pursuant to the above operating leases amounted to $681,995.

Furniture and equipment is provided by the Parent Company, the charge for which is included in the administrative charges paid to the Parent Company, see Note 4.

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Important Compliance Information

USA PATRIOT Act / Anti-Money Laundering / Bank Secrecy Act / CIP Rule / Know Your Customer

Multi-Bank Securities, Inc. is committed to complying with the U.S. statutory and regulatory requirements designed to combat money laundering and terrorist financing. The USA PATRIOT Act requires all financial institutions to obtain certain identification documents or other information in order to comply with their Customer Identification Procedures (CIP).

When you open an account, we will ask you for your name, address and other information that will allow us to satisfy our Know Your Customer requirements. We also may ask to see your driver's license or other identifying documents. Until you provide the required information or documents, we may not be able to open an account or effect any transactions for you. For additional information, contact Chief Compliance Officer Merlin Elsner, our designated Anti-Money Laundering Compliance Officer, at 1-800-967-9008.

4

The Customer Due Diligence Rule (CDD Rule) from FinCEN, effective May 11, 2018, requires that certain financial institutions are now obligated to disclose the ultimate beneficiary of the company upon new account opening. We will ask that you provide documentation on each individual that owns 25 percent of the equity interests in your institution, or any individual with significant responsibility to control, manage or direct your institution. We will ask for personal information on the CEO, CFO, COO, managing members, general partners, presidents, vice presidents, treasurers, et al. We will seek to retain sufficient information on any individual who regularly performs functions that demonstrate "control." Under the definition provided by FinCEN, we will seek information on beneficial owners using Appendix A to CFR 1010.230 (Beneficial Owner Certification Form).

Order Routing

Order routing information for your specific orders is available upon request by contacting your account representative. You can also see the most recent quarterly routing information on our corporate website, www.mbssecurities.com, by clicking on Order Routing at the bottom of the home page.

FINRA BrokerCheck Information

The FINRA BrokerCheck program is available at www.finra.org and can be accessed by clicking on BrokerCheck at the top of the home page. The site gives background information, registration/license status and disciplinary history of brokers and firms.

Securities Investor Protection Corporation (SIPC)

Information about SIPC, including the SIPC brochure, can be obtained by calling SIPC at 1-202-371-8300 or visiting the SIPC website at www.sipc.org.

Important Compliance Information (Continued)

Municipal Securities Rulemaking Board (MSRB) Rule G-10 – Investor Education and Protection

Multi-Bank Securities, Inc. is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

The website address for the Municipal Securities Rulemaking Board is www.msrb.org.

A brochure is posted on the website of the Municipal Securities Rulemaking Board. In addition to having investor education materials available, there are also descriptions of the protections provided by MSRB rules and how to file a complaint with FINRA's Investor Complaint Center.

Firm Contact Information

If you have any concerns about your account, please contact Merlin Elsner at 1-800-967-9008.

Updated March 2023

Multi-Bank Securities, Inc.®

Privacy Policy

Multi-Bank Securities, Inc. (MBS) respects your right to privacy. We are committed to securing the confidentiality and integrity of your personal information. We are proud of our privacy practices and want our current and prospective clients to understand what information we collect and how we use it.

Why We Collect Your Information

We gather your information about you and your accounts so we can (1) know who you are and thereby prevent unauthorized access to your information, (2) design and improve the products and services we offer, and (3) comply with the laws and regulations that govern the financial industry.

What Information We Collect

We may collect the following types of nonpublic personal information about you:

- Information about your identity, such as your name, address and Taxpayer Identification Number.
- Information about your transactions with us.
- Information we receive from you from applications, forms or direct discussions with you.

Sources From Which We Obtain Your Information

We collect nonpublic personal information about MBS's clients from the following sources:

- Information we receive from you from applications, forms or direct discussions with you.
- Information we may obtain via the internet.
- Information we receive from our clearing firm or any third-party vendor for authentication purposes.

What Information We Disclose

Your securities account is carried by our clearing firm pursuant to clearing agreements. We may disclose to them all the information we collect regarding your account. Our clearing firm is contractually obligated to keep the information we have provided them confidential and use the information only for the services required and as allowed by applicable law or regulation.

We also may disclose some nonpublic personal information about our customers or former customers to facilitate servicing your account or to our regulators upon proper request, except as permitted by law and noted above. Moreover, we will not release information about our customers or former customers, except as noted above, unless one of the following conditions is met:

- We receive your prior written consent.
- We believe the recipient to be you or your authorized representative.
- We are required by law or regulation to release information to the recipient.

Privacy Policy (Continued)

Confidentiality and Security

We maintain physical, electronic and procedural safeguards to protect your personal account information. We also restrict access to your personal and financial data to authorized associates who have a need for these records. We require all non-affiliated organizations to conform to our privacy standards and are contractually obligated to keep the provided information confidential and used only as requested. Furthermore, we will continue to adhere to the privacy policies and practices described in this notice even after your account is closed or becomes inactive.

California Consumer Privacy Act (CCPA)

If you are a California resident, you may have the right to (1) request access to certain personal information* we have collected about you, or (2) request that we delete certain personal information* we may have collected from you. To exercise any of these rights, please visit www.mbssecurities.com and click the CCPA link in the website footer.

The examples contained within the Privacy Policy are illustrations and are not intended to be exclusive. If there are material changes to this policy, they will be posted on our website at www.mbssecurities.com.

Updated March 2023

**Personal information request exceptions: The CCPA does not apply to personal information that may not be provided or deleted based on other laws, rules or regulations.*

MBS Multi-Bank Securities, Inc.®

Business Continuity Statement

In the event of a disruption of service, if you cannot contact us as you usually do through your account representative or your branch office, call our alternative number, 1-800-967-5094, or visit our website at www.mbssecurities.com. If you cannot access us through either of these means, contact our clearing firm, Pershing LLC (Pershing), a BNY Mellon company, directly in one of the following ways:

1. Call 1-201-413-3635. Pershing will process limited trade-related transactions (option No. 1), cash disbursements (option No. 2) and security transfers (option No. 3) on your behalf.
2. Via facsimile at 1-201-413-5368.
3. Via postal service at Pershing LLC, P.O. Box 2065, Jersey City, NJ 07303-2065.

Our Business Continuity Plan

We plan to quickly recover and resume business operations after a significant business disruption and respond by safeguarding our employees and property, making a financial and operational assessment, protecting the Firm's books and records, and allowing our customers to transact business. In short, our business continuity plan is designed to permit our Firm to resume operations as quickly as possible, given the scope and severity of the significant business disruption. Our business continuity plan addresses the following: data backup and recovery; all mission critical systems; financial and operational assessments; alternative communications with customers, employees and regulators; alternate physical location of employees; critical suppliers, contractors, banks and counter-party impact; regulatory reporting; and assuring our customers' prompt access to their funds and securities if we are unable to continue our business. Our clearing firm, Pershing, backs up our important records in a geographically separate area. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by our clearing firm that its objective is to quickly restore its own operations and be able to complete existing transactions and accept new transactions and payments. Your orders and requests for funds and securities could be delayed during the restoration period.

Varying Disruptions

Significant business disruptions can vary in their scope, including the business district, the city or the entire region where one or more of our offices are located. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In the event of a disruption to one or more of our offices, we will transfer our operations to an appropriate location when needed and expect to recover and resume full business operations. In the event of a disruption affecting a larger area, we will transfer our operations to a location outside of the affected area when needed and expect to recover and resume full business operations in a timely manner. In either situation, we plan to continue normal business operations, transferring functionality to other offices within our Firm or to our clearing firm if necessary. We will notify our customers in the most prudent and expeditious method. If a significant business disruption is so severe that it prevents us from remaining in business, we will work with our clearing firm to assure our customers receive prompt access to their funds and securities.

If you have questions about our business continuity planning, you can contact us at businesscontinuity@mbssecurities.com.

Corporate Headquarters
1000 Town Center, Suite 2300, Southfield, MI 48075
1-800-967-9045 phone
1-248-291-1101 fax

Updated March 2023

MULTI-BANK SECURITIES, INC.®

March 1, 2023

To Whom It May Concern,

This letter is to inform you that as of the date of this letter, (1) there are no current regulatory sanctions outstanding against Multi-Bank Securities, Inc. (MBS) nor any of its account representatives or officers, and (2) MBS has never had a regulatory customer complaint.*

Additionally, MBS confirms we have an Anti-Money Laundering (AML) Program in place with policies and procedures that are reasonably designed to detect and prevent the use of our facilities and services for illegal purposes, including the laundering of monies, the financing of terrorist activities and the proliferation of weapons of mass destruction. This AML Program includes the designation of an AML officer, an ongoing AML employee training program and an annual independent audit to test the effectiveness of the AML Program. The Program is approved by the Board of Directors on an annual basis.

We further attest that we are in compliance:

1. With the Bank Secrecy Act (BSA), as amended by the USA PATRIOT Act, including, without limitation, a system of internal controls for detection and prevention of money laundering and illegal activity, independent testing of the company's BSA program, designation of a qualified individual for coordinating and monitoring day-to-day compliance, and training programs for all employees, officers and directors as appropriate.

2. With regulations and requirements of the Office of Foreign Assets Control (OFAC), including, without limitation, screening in OFAC-prohibited parties databases of all individuals involved in transactions by, through or with your institution, screening of OFAC embargoed country regulations for prevention of transactions involving countries subject to U.S. trade and economic sanctions, comparison of transactions on a daily basis, identification procedures and document retention.

3. With the Customer Identification Program requirements of the BSA, as amended by the USA PATRIOT Act, including, without limitation, risk-based procedures to verify customer identity, a risk assessment of our customer base and products, and due diligence for correspondent accounts

4. With "Know Your Customer" and monitoring requirements as necessary to ensure effective detection of suspicious transactions and procedures for the filing of Suspicious Activity Reports (SARs) and Currency Transactions Reports (CTRs).

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

*Based on information available through our regulators and/or supplied to us by our clearing firm.

Address 1000 Town Center, Suite 2300
Southfield, Michigan 48075
Phone (800) 967-9045
(248) 291-1100
Fax (248) 291-1101
www.mbssecurities.com

2400 East Commercial Boulevard, Suite 1000
Fort Lauderdale, Florida 33308
(800) 967-9045
(954) 351-6930
(954) 351-9197

Member of FINRA & SIPC; MSRB Registered.
Proudly Veteran-Owned!

MBS MULTI-BANK SECURITIES, INC.®

Dear Multi-Bank Securities, Inc. Client,

Thank you for performing your due diligence on Multi-Bank Securities, Inc. (MBS). We understand that this is a crucial part of building a trusting relationship with your broker, and we are more than happy to provide a response concerning your finding(s).

There are four items on our BrokerCheck report we would like to further explain.

The first incident was initiated by the State of Alabama on June 16, 1994. The incident occurred when MBS submitted a broker-dealer application to the State and incorrectly filled out the paperwork in the process. MBS paid a small fine, and Alabama vacated the denial order following the paperwork corrections.

The second incident was initiated by the Vermont Securities Division on June 12, 1997. MBS was cited for transacting business as an unregistered broker-dealer in Vermont. We paid a small fine, became registered in the State of Vermont and conduct business there today.

In the third incident, as the result of a sweep, FINRA found that our Firm failed to accurately report to TRACE certain inter-dealer transactions in a timely manner.

The citation states,

"Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to report the correct time of trade execution for transactions in Trade Reporting and Compliance Engine (TRACE)-eligible securitized products within 15 minutes of the time of execution to TRACE; and failed to show the correct time of execution on the memorandum of brokerage orders."

MBS paid a small fine without admitting or denying the facts as presented, and will continue to do business in the market of fixed-income securities. To prevent future events like this, we made changes to our supervisory policies and procedures to reduce redundant supervisory reviews. We reviewed and continue to review our inter-dealer relationships to ensure that trade times are reported, and to ensure that both parties contractually understand and agree to each transaction prior to creating a TRACE reporting obligation.

Finally, as a result of our 2014 and 2016 regular cycle examinations, FINRA took the position that during a specific period of time, on a specific form, there was language that could be potentially confusing to some municipal entities with respect to the capacity in which the Firm would be acting relative to the Municipal Advisor Rule. Additionally, FINRA took the position that the Firm's Risk Management Controls outside of the Written Supervisory Procedures caused the Written Supervisory Procedures to be inadequate, and that the Firm needed to make specific reference to a particular rule during the annual CEO certification of compliance systems and controls.

We are proud of our customer compliance record and will continue to provide you the best in customer service. We thank you again for the opportunity to provide you with additional details. Should you have any questions or concerns, I can be reached directly at 1-800-967-9008, or by email at melsner@mbssecurities.com.

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300, Southfield, Michigan 48075
Phone (800) 967-9045, (248) 291-1100
Fax (248) 291-1101

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www.mbssecurities.com

Member of FINRA & SIPC; MSRB Registered.
Proudly Veteran-Owned!

CODE OF ETHICAL BUSINESS CONDUCT

MISSION STATEMENT

Multi-Bank Securities, Inc. is a fixed-income securities Firm focused on delivering value to the institutional markets. We seek to earn and preserve the respect, confidence and loyalty of our employees and customers through integrity, professionalism, investment expertise, progressive technology and exceptional personal service.

CODE OF ETHICAL BUSINESS CONDUCT

Our Code of Ethical Business Conduct outlines our principles, ethics and standards to help guide our employees. Every person at our Firm is valuable and fulfills a vital role. Each client's objective can be successfully met when all departments work harmoniously with that singular goal in mind. The following are in addition to the rules required by FINRA and other regulatory authorities.

Commitment: We have made a commitment to operate ethically and to lead with integrity. We are committed to maintain the trust of fellow employees, clients, business partners and other industry professionals. This commitment is embedded in our core values.

Integrity: Is the sum of the collective actions of our employees and how those actions measure up every day to our fundamental values. We are obligated to demonstrate moral and sound judgment in all actions within the office environment and the public. Our reputation is a direct reflection of our culture.

Respect: We support an environment that encourages respect. We do not make false or misleading statements about our customers, business partners or competitors, nor do we misrepresent facts in order to gain a competitive advantage or engage in illegal or unethical business practices.

Professional Growth: Our representatives are instructed to familiarize themselves with all policies, laws and regulations that apply to their jobs – including but not limited to state statues, bylaws and investment policies – prior to conducting business. We support our representatives' pursuit of professional licenses and certifications.

Accurate Records: It is critical that we properly maintain records and uphold state statutes, bylaws and investment policies at the corporate level, as well as in personal files for each customer. These documents will be updated accordingly or as required by law.

Employee Manual: The Employee Manual is provided to assist employees in being successful at their job. The manual outlines our expectations, employment practices and policies, including the Code of Conduct. It is the responsibility of every employee to be familiar with and understand the contents of the manual. A verification receipt is required to be executed by each employee. We should all work to create a positive and diverse workplace that is free from discrimination and harassment. We are committed to a zero-tolerance policy against harassment or threatening behavior of any kind.

Travel: We strongly encourage building trust and rapport with customers and business partners. Representatives are supported and make every effort to attend board meetings and council/commissioner meetings, including state conferences and chapter meetings, locally and nationally.

Multi-Bank Securities, Inc.
Anti-Money Laundering Policy Test Procedures

Executive Summary

Multi-Bank Securities, Inc. (MBS) has in place an Anti-Money Laundering (AML) policy. Merlin Elsner is our Chief Compliance Officer. Senior management has approved the AML policy as written, and all questions are to be directed to Merlin Elsner. The company's AML policy is available for review upon request.

Merlin Elsner is responsible for ensuring the review of all new accounts and routine transactional surveillance. Additionally, the company's clearing agent Pershing LLC (Pershing), a BNY Mellon company, also reviews each account entity and transaction. Many MBS accounts (credit unions, banks, municipalities and SEC-registered investment advisors) are exempt from full Customer Identification Procedures (CIP). MBS relies on the fact that each of these exempted institutional entities is independently audited to ensure AML program compliance. Whenever practical and/or available, MBS will review external AML policies and independent audit reports made available for compliance with appropriate rules and regulations.

MBS engaged the company controller to perform the annual AML independent testing. The company controller operates fully independent of the Compliance Department and reports directly to the CEO. During the annual independent testing of our AML procedures, randomly selected accounts were checked against the Office of Foreign Asset Control (OFAC) list found at www.ustreas.gov/ofac. The controller verified that as of the most recent test (concluded Dec. 12, 2022), none of the randomly selected accounts were found on the OFAC list. The company controller, upon a review of the processed documentation of account opening files and ongoing review of transactions, found no material deficiencies for 2022.

Day-to-Day Operations

Merlin Elsner, or his designee, is responsible for making sure that new accounts have appropriate and sufficient information, including but not limited to names, addresses and Taxpayer Identification Numbers requested at the time of account opening. Operations will reject all accounts with improperly filled-out forms or forms missing material information. Pershing systems do not allow for customer accounts to be opened without proper identification information.

Pershing is responsible for verifying new control lists against all existing accounts. They have assured us that they do this task regularly. MBS screens all accounts on a continuous basis through a third-party vendor established as best industry practice.

Merlin Elsner, or his designee, is responsible for deposit and withdrawal review. He follows the AML policy instructions for verifying information and record-keeping. Reviews are performed in a timely manner utilizing in-house CRM reports as well as Pershing system reports to capture all information necessary for AML review. MBS does not accept money or securities from clients at any time. MBS account activity is reviewed systematically against a complex series of dynamic logical rules to screen for potential AML activity through the Pershing platform. This platform produces behavior-based reports, which are reviewed in addition to internal CRM reports. CRM reports are reviewed on a daily basis by executive management. This two-pronged approach ensures that MBS has in place an adequate policy to guard against and detect potential AML activity. Given the sophistication of MBS's internal client account AML policies, MBS considers the risk of an actual AML incident to be extremely low. The risk rating of accounts at MBS is presented in a spectrum to be considered in the overall securities market, and while there may be differences in ratings within the Firm, the overall AML risk remains low when considering the overall market.

Multi-Bank Securities, Inc.
Anti-Money Laundering Policy Test Procedures (Continued)

Merlin Elsner is also responsible for ensuring the review of the biweekly Financial Crimes Enforcement Network (FinCEN) report and compares them to the MBS customer database in a timely fashion. Evidence of these report reviews is kept extremely confidential and is available for review upon request from FINRA and/or the SEC. MBS screens new accounts (banks, credit unions and municipalities are exempt) against the OFAC database. Pershing screens accounts and transaction beneficiaries against the report for all clearing transactions. MBS performs OFAC screening on an "ongoing" basis in addition to the initial account opening procedures.

Merlin Elsner is responsible for AML training of new and existing employees. The company also holds employee meetings to cover sales practice and compliance issues. The company maintains attendance records and has the record book available for review as necessary. Employees must complete Firm Element continuing education training as well as the FINRA-required continuing education. Merlin Elsner coordinates compliance training for all MBS locations.

The company has procedures in place to maintain files for at least six years. The company maintains documentation for two years on-site. The company also has an off-site storage facility to maintain previous years. The company controller personally verifies the packaging and storage of all relevant documents. The off-site storage facility is subject to an inspection by MBS and all associated files are stored in a safe and secure location with extremely limited access.

Merlin Elsner is responsible for the Suspicious Activity Report (SAR). He is familiar with the SAR form and Bank Secrecy Act (BSA) e-filing procedures. He will file a SAR immediately as applicable. The company does not accept money from clients and therefore does not maintain a Currency Transaction Report (CTR). All customer checks must be payable to Pershing LLC and all money wires go directly to Pershing. Pershing will not accept funds that originate from outside of the U.S.; this includes, but is not limited to, checks and electronic transfers.

Please contact me at 1-800-967-9008 with any questions related to this AML document.

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

MULTI-BANK SECURITIES, INC.®

INFORMATION SECURITY ATTESTATION LETTER

March 15, 2023

In February 2023, Multi-Bank Securities, Inc. (MBS) contracted a Qualified Security Assessor Company to perform an External Penetration Test on MBS's internet-facing systems. The objective of this engagement was to identify vulnerabilities in MBS systems and network security that both internal and external adversaries could exploit.

The security engagement occurred during the period from February 1 to February 3, 2023. The testing process began with an information gathering phase in which the vendor's assessment team conducted steps designed to gather all pertinent information surrounding targeted environment. Automated and manual testing techniques were used to assess the target areas to gauge the level of business risk of any discovered vulnerabilities.

It was the vendor's overall opinion that MBS had taken the appropriate steps to reduce enterprise risk level and mitigate the probability of such an event.

Based on the assessment, MBS has implemented sufficient security controls to ensure the continued operation of business processes. The existing security controls appear to adequately mitigate risks to business processes to ensure the collection of personally identifiable information and critical business data.

As of this date, the chief information security officer attests that no material changes or events, as they relate to this external vendor, have occurred.

Moving forward, MBS will continue diligent efforts on improving its overall security posture.

Should you have any questions regarding this matter, please feel free to contact me directly at 1-800-967-9008 or via email at melsner@mbssecurities.com.

Sincerely,

Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.

Address 1000 Town Center, Suite 2300, Southfield, Michigan 48075
2400 East Commercial Boulevard, Suite 1000, Fort Lauderdale, Florida 33308
Phone (800) 967-9045, (248) 291-1100 | (800) 967-9045, (954) 351-6930
Fax (248) 291-1101 | (954) 351-9197
www.mbssecurities.com

32 Old Slip
New York, NY 10005-3504
Phone 800-221-5830
Fax 800-383-1852

CONFIRMATION OF INSURANCE

NAMED INSURED
Multi-Bank Securities, Inc. 1000 Town Center Drive, Suite 2300 Southfield, MI 48075

BINDER DATE	BINDER NO.
09/16/2022	n/a

CLIENT CODE	POLICY TYPE
MULTSEC-01	Securities Dealers Bond

ACCOUNT SERVICER
Abigail Escalera

Page 1 of 1

EFFECTIVE DATE	EXPIRATION DATE	POLICY NUMBER	INSURER
11/01/2022	11/01/2023	81940548	Federal Insurance Company

COVERAGE DESCRIPTION AND AMOUNTS/LIMITS

Coverage: Securities Dealer Blanket Bond

Effective Date of Change: 11/01/2022
Description of Change: Renewal

It is hereby understood and agreed that the renewal of coverage is bound effective 12:01 a.m. on November 1, 2022 for a one year period as follows:

Limit of Liability:	$2,000,000 per loss
Deductible:	$20,000 per loss
One Year Premium:	

All other terms and conditions remain the same.

This confirmation of insurance sets forth the general terms, conditions and subjectivities, if any, of placement effected by Alliant on your behalf and at your direction. This confirmation of insurance will be cancelled, superseded and replaced upon delivery of the insurer's binder of coverage. The insurer's binder will be in effect and control this placement until the receipt of the insurer's formal policy/bond documentation.

In addition to the fees and/or commissions received by Alliant for the placement of insurance in certain circumstances other parties, including other intermediaries, may earn and retain usual and customary commissions for their role in providing insurance products or services under their separate contracts with insurers and/or reinsurers. Further, in certain segments of our business, come of our compensation may be derived from supplemental or bonus commissions paid by insurers or intermediaries based on criteria designed by the insurer or intermediary, to value of the policies that we place with it in a particular period.

Premium:	Federal Insurance Company	
Confirmed By:	Authorized Representative: Program	
At Alliant Refer To: Abigail Escalera	Admitted: X	Non-Admitted

SECURITIES INVESTOR PROTECTION CORPORATION
1667 K Street NW Suite 1000
WASHINGTON, D.C. 20006-2215
(202) 371 – 8300 FAX (202) 223 – 1679
WWW.SIPC.ORG

Via E-mail (Melsner@mbssecurities.com)
Merlin Elsner
Chief Compliance Officer
Multi-Bank Securities, Inc.
1000 Town Center, Suite 2300
Southfield, MI 48075

March 16, 2023
8-39547

Dear Mr. Elsner:

In response to your request, please be advised that according to SIPC's records, Multi-Bank Securities, Inc. is registered with the Securities and Exchange Commission as a securities broker or dealer under Section 15(b) of the 1934 Act, (8-39547, 05/06/1988). By operation of the Securities Investor Protection Act of 1970, the corporation is a SIPC member unless (i) its principal business, in the determination of SIPC, taking into account business of affiliated entities, is conducted outside the United States and its territories and possessions; (ii) its business as a broker or dealer consists exclusively of (I) the distribution of shares of registered open end investment companies or unit investment trusts, (II) the sale of variable annuities, (III) the business of insurance, or (IV) the business of rendering investment advisory services to one or more registered investment companies or insurance company separate accounts, or (iii) it effects transactions in security futures products only.

Sincerely,

Christine R. King

Digitally signed by Christine R. King
Date: 2023.03.16 13:10:16 -04'00'

Christine R. King
Manager – Member Assessments

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PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2022

(With Report of Independent Registered Public Accounting Firm)

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PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2022

Table of Contents

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

Report of Independent Registered Public Accounting Firm

To the Member and Board of Managers
Pershing LLC:

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Pershing LLC (the Company) as of December 31, 2022, and the related notes (collectively, the financial statement). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2022, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is 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 statement, 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2007.

New York, New York
February 27, 2023

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Statement of Financial Condition

December 31, 2022

(Dollars in millions)

Assets		
Cash and cash equivalents	$	509
Cash segregated for regulatory purposes		6,139
Collateralized financing agreements:		
Securities borrowed		7,254
Securities purchased under agreements to resell		4,867
Receivables:		
Customers		14,488
Broker-dealers and clearing organizations		2,250
Affiliates		268
Intangible assets		1
Securities owned in fractional shares held by customers, at fair value		250
Financial instruments owned, at fair value		752
Other assets		842
Total assets	$	37,620
Liabilities and Member's Equity		
Liabilities:		
Overdrafts payable	$	323
Collateralized financing agreements:		
Securities loaned		1,790
Securities sold under agreements to repurchase		6,840
Payables:		
Customers		19,250
Broker-dealers and clearing organizations		4,574
Repurchase obligations for fractional shares held by customers		250
Affiliates		364
Financial instruments sold, not yet purchased, at fair value		1
Accounts payable, accrued expenses and other		647
Total liabilities		34,039
Member's equity:		
Member's contributions		1,066
Accumulated earnings		2,515
Total member's equity		3,581
Total liabilities and member's equity	$	37,620

See accompanying notes to statement of financial condition.

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Notes to Statement of Financial Condition

December 31, 2022

(1) Organization and Description of Business

Pershing LLC (the Company) is a single member Delaware Limited Liability Company and a wholly owned subsidiary of Pershing Group LLC (the Parent), which is a wholly owned subsidiary of The Bank of New York Mellon Corporation (BNY Mellon).

The Company is registered as a securities broker-dealer with the Securities and Exchange Commission (SEC) authorized to engage in fully disclosed and omnibus clearing, sales and trading and brokerage services. The Company is a member of the New York Stock Exchange, Inc. (NYSE), Financial Industry Regulatory Authority (FINRA), Chicago Board of Options Exchange, Inc., Securities Investor Protection Corporation (SIPC), and other regional exchanges.

(2) Summary of Significant Accounting Policies

The Company's statement of financial condition is prepared in accordance with accounting principles generally accepted in the United States of America which requires management to make estimates and assumptions that affect amounts reported in the statement of financial condition and accompanying footnotes. Management believes that the estimates utilized in the statement of financial condition are reasonable. Actual results could differ from these estimates. Market conditions could increase the risk and complexity of the judgments in these estimates.

(a) Cash and Cash Equivalents

The Company defines cash and cash equivalents as highly liquid investments with original maturities of three months or less.

(b) Cash and Securities Segregated for Regulatory Purposes

The Company defines cash and securities segregated for regulatory purposes as deposits of cash and qualified securities that have been segregated in special reserve bank accounts for the benefit of customers and the proprietary accounts of brokers (PAB) under Rule 15c3-3 of the SEC. Restricted cash consists of excess client funds and totaled $6.1 billion at December 31, 2022. Restricted cash is included in cash and securities segregated for regulatory purposes on the statement of financial condition.

(c) Collateralized Financing Agreements

Securities borrowed and securities loaned are collateralized financing arrangements that are recorded at the amount of cash collateral advanced or received. For securities borrowed, the Company deposits cash or other collateral with the lender. For securities loaned, the Company receives cash collateral that typically exceeds the market value of securities loaned.

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (resale agreements) are treated as collateralized financing arrangements and are carried at their contract amount, the amount at which they will subsequently be resold or repurchased, plus related accrued interest. Repurchase and resale agreements are typically

(continued)

collateralized by cash or government and government agency securities and generally have terms from overnight up to three months. The Company nets certain repurchase agreements and resale agreements in the statement of financial condition in accordance with Accounting Standards Codification (ASC) Subtopic 210-20, *Balance Sheet Offsetting*.

It is the Company's policy to take possession of the underlying collateral, monitor its market value relative to the amounts due under the agreements and, when necessary, require prompt transfer of additional collateral or reduction in the loan balance in order to maintain contractual margin protection. In the event of counterparty default, the financing agreement provides the Company with the right to liquidate the collateral held.

The Company has adopted *ASU 2016-13, Financial Instruments – Credit Losses* ("CECL"). Under CECL, the Company has elected to use the collateral maintenance provision practical expedient for its collateralized financing agreements. Collateralized financing agreements are reported net of the expected credit losses, which was not material at December 31, 2022.

(d) Receivables and Payables – Broker-Dealers and Clearing Organizations

Receivables from broker-dealers and clearing organizations include amounts receivable for securities not delivered by the Company to a purchaser by the settlement date (fails to deliver), deposits with clearing organizations and the Company's introducing brokers' margin loans. Payables to broker-dealers and clearing organizations include amounts payable for securities not received by the Company from a seller by the settlement date (fails to receive), clearing deposits from introducing brokers and amounts payable to the Company's introducing brokers.

Under CECL, the Company has elected to use the collateral maintenance provision practical expedient for its margin loans. Margin loans are reported net of the expected credit losses, which was $318 thousand at December 31, 2022.

(e) Revenue Recognition

The Company's clients are billed based on fee schedules that are agreed upon in each customer contract. Receivables from customers were $203.9 million at December 31, 2022. An allowance is maintained for accounts receivables which is generally based on the number of days outstanding. Adjustments to the allowance are recorded in other expenses in the statement of income. Receivables from customers are included in other assets on the statement of financial condition.

Contract assets represent accrued revenues that have not yet been billed to the customers due to certain contractual terms other than the passage of time and were $7.0 mil at December 31, 2021 and $7.2 million at December 31, 2022. Accrued revenues recorded as contract assets are usually billed on an annual basis. There were no impairments recorded on contract assets in 2022. Contract assets are included in other assets on the statement of financial condition.

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition

December 31, 2022

Contract liabilities represent payments received in advance of providing services under certain contracts were $6.6 mil at December 31, 2021 and $6.2 million at December 31, 2022. Contract liabilities are included in accounts payable, accrued expenses and other on the statement of financial condition.

Changes in contract assets and liabilities primarily relate to either party's performance under the contracts.

(f) Fair Value of Financial Instruments Owned and Sold

Financial instruments owned and financial instruments sold, not yet purchased are stated at fair value. See Note 4 to Statement of financial condition for disclosures with respect to ASC Topic 820.

(g) Fixed Assets and Intangibles

Fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is recorded on a straight-line basis over the useful lives of the related assets, generally two to five years. Leasehold improvements are amortized on a straight-line basis over the lesser of the lease term or 10 years. For internal-use computer software, the Company capitalizes qualifying costs incurred during the application development stage. The resulting asset is amortized using the straight-line method over the expected life, which is generally five years. All other nonqualifying costs incurred in connection with any internal-use software projects are expensed as incurred.

Identifiable intangible assets are amortized on a straight-line basis over their estimated useful life, which is generally 15 years from the date of acquisition and are assessed for impairment indicators pursuant to the provision of ASC Topic 350, *Intangibles – Goodwill and Other*, and ASC Topic 360, *Property, Plant & Equipment*.

(h) Receivables and Payables - Customers

Receivables from and payables to customers include amounts due on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Customer securities transactions are recorded on a settlement date basis, which is generally two business days after trade date. Securities owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the statement of financial condition.

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition
December 31, 2022

(i) Securities owned in fractional shares held by customers

The Company offers fractional share trading to customers and maintains an inventory of securities held exclusively for the fractional share program. The Company has determined that fractional shares purchased by customers do not meet the criteria for derecognition under the accounting guidance and should therefore be accounted for as secured borrowings with the underlying financial assets pledged to the customer as collateral. These financial assets are included in securities owned in fractional shares held by customers and a corresponding liability is recorded in repurchase obligations for fractional shares held by customers in the statement of financial condition for the obligation to settle the secured borrowing. In accordance with ASC Topic 825, *Financial Instruments*, the Company has elected the fair value option to measure these financial assets and liabilities. ASC Topic 825 defines fair value as 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. The fair values of these financial instruments are based on quoted prices in active markets.

(j) Restricted Stock Units

During the year, BNY Mellon issued restricted stock to employees, including certain Company employees. The Company accounts for this plan in accordance with ASC Topic 718, *Compensation – Stock Compensation,* and accordingly compensation cost is measured at the grant date based on the value of the award and is recognized over the vesting period.

As of December 31, 2022, $34.5 million of total unrecognized compensation cost related to nonvested restricted stock is expected to be recognized over a period of approximately zero to four years.

(k) Income Taxes

The Company is included in the consolidated federal and combined state and local income tax returns filed by BNY Mellon. In addition, the Company files stand-alone tax returns in certain jurisdictions, including Pennsylvania. Income taxes are calculated using the modified separate return method, and the amount of current tax expense or benefit is either remitted to or received from BNY Mellon, pursuant to a tax sharing agreement between BNY Mellon and the Company.

The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes*, which generally requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and the tax basis of the assets and liabilities. If appropriate, deferred tax assets are adjusted by a valuation allowance, which reflects expectations of the extent to which such assets will be realized.

In accordance with ASC 740, *Income Taxes,* the Company uses a two-step approach in recognizing and measuring its uncertain tax benefits whereby it is first determined if the tax position is more likely than not to be sustained under examination. If the tax position meets the more likely than not threshold, the position is then measured at the largest amount of benefit that is greater than 50

(continued)

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
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Notes to Statement of Financial Condition

December 31, 2022

percent likely of being realized upon ultimate settlement. A tax position that fails to meet the more likely than not recognition threshold will result in either a reduction of current or deferred tax assets, and/or recording of current or deferred tax liabilities.

(l) Leases

We determine if an arrangement is a lease at inception. Right-of-use (ROU) assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments. The ROU assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date or at lease modification date for certain lease modifications. For all leases, we use a rate that represents a collateralized incremental borrowing rate based on similar terms and information available at lease commencement date or at the modification date for certain lease modifications in determining the present value of lease payments. In addition to the lease payments, the determination of an ROU asset may also include certain adjustments related to lease incentives and initial direct costs incurred. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability only when it is reasonably certain that we will exercise that option.

Lease expense for operating leases is recognized on a straight-line basis over the lease term, while the lease expense for finance leases is recognized using the effective interest method. ROU assets are reviewed for impairment when events or circumstances indicate that the carrying amount may not be recoverable. For operating leases, if deemed impaired, the ROU asset is written down and the remaining balance is subsequently amortized on a straight-line basis which results in lease expense recognition that is similar to finance leases.

For all leases, we have elected to account for the contractual lease and non-lease components as a single lease component and include in the calculation of the lease liability.

(3) Receivables from and Payables to Broker-Dealers and Clearing Organizations

Amounts receivable from and payable to broker-dealers and clearing organizations include the following (dollars in millions):

Receivables:		
Brokers and dealers	$	1,149
Securities failed to deliver		598
Clearing organizations		503
Total receivables	$	2,250
Payables:		
Brokers and dealers	$	4,006
Securities failed to receive		568
Total payables	$	4,574

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition
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(4) Financial Instruments

ASC Topic 820 applies to all financial instruments that are being measured and reported on a fair value basis. This includes those items currently reported in financial instruments owned, at fair value and financial instruments sold, not yet purchased, at fair value on the statement of financial condition.

As defined in ASC Topic 820, 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. In determining fair value, the Company uses various methods including market and income approaches. Based on these approaches, the Company utilizes certain assumptions that market participants would use in pricing the asset or liability. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial instrument assets and liabilities carried at fair value have been classified and disclosed in one of the following three categories:

Level 1 Quoted market prices in active markets for identical assets or liabilities.

Level 2 Observable market based inputs or unobservable inputs that are derived from or corroborated by market data.

Level 3 Unobservable inputs that are not corroborated by market data.

Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as listed equities.

Level 2 includes those financial instruments that are valued using models or other valuation methodologies calibrated to observable market inputs. These models are primarily industry-standard models that consider various assumptions, including discount margins, credit spreads, discounted anticipated cash flows, the terms and liquidity of the instrument, the financial condition, operating results and credit ratings of the issuer or underlying company, the quoted market price of publicly traded securities with similar duration and yield, time value, yield curve, default rates, as well as other measurements. In order to be classified as Level 2, substantially all of these assumptions would need to be observable in the marketplace and can be derived from observable data or supported by observable levels at which transactions are executed in the marketplace.

Level 3 comprises financial instruments whose fair value is estimated based on internally developed models or methodologies utilizing significant inputs that are unobservable from objective sources. The Company did not have any assets or liabilities classified as Level 3 at December 31, 2022.

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Notes to Statement of Financial Condition

December 31, 2022

In determining the appropriate levels, the Company performed an analysis of the assets and liabilities that are subject to ASC Topic 820. The following tables present the financial instruments carried at fair value as of December 31, 2022 (dollars in millions):

		Assets at fair value as of December 31, 2022			
		Level 1	**Level 2**	**Level 3**	**Total**
Securities owned in fractional shares held by customers, at fair value	$	250	—	—	250
Financial instruments owned, at fair value					
Money market funds		701	—	—	701
Equity instruments		20	—	—	20
Debt instruments		—	2	—	2
Derivatives - foreign exchange		—	29	—	29
Total assets at fair value	$	971	31	—	1,002

		Liabilities at fair value as of December 31, 2022			
		Level 1	**Level 2**	**Level 3**	**Total**
Repurchase obligation for fractional shares held by customers	$	250	—	—	250
Financial instruments sold, not yet purchased					
Equity instruments		1	—	—	1
Total liabilities at fair value	$	251	—	—	251

Estimated Fair Value of Financial Instruments Not Carried at Fair Value

The fair values of the other financial assets and liabilities are considered to approximate their carrying amounts because they have limited counterparty credit risk and are short-term, replaceable on demand, or bear interest at market rates.

(continued)

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Notes to Statement of Financial Condition

December 31, 2022

The table below presents the carrying value and fair value of Pershing LLC's financial instruments which are not carried at fair value (dollars in millions). The table below therefore excludes items measured at fair value on a recurring basis presented in the table above. In addition, the table excludes the values of non-financial assets and liabilities.

		December 31, 2022				
		Level 1	Level 2	Level 3	Estimated fair value	Carrying value
Summary of financial instruments:						
Assets:						
Cash and cash equivalents	$	509	—	—	509	509
Cash and securities segregated for regulatory purposes		6,139	—	—	6,139	6,139
Securities borrowed		—	7,254	—	7,254	7,254
Securities purchased under agreements to resell		—	4,867	—	4,867	4,867
Receivables from customers		—	14,488	—	14,488	14,488
Receivables from broker-dealers and clearing organizations		—	2,250	—	2,250	2,250
Due from affiliates		—	268	—	268	268
Other assets		—	842	—	842	842
Total	$	6,648	29,969	—	36,617	36,617
Liabilities:						
Overdrafts payable	$	—	323	—	323	323
Securities loaned		—	1,790	—	1,790	1,790
Securities sold under agreements to repurchase		—	6,840	—	6,840	6,840
Payables to customers		—	19,250	—	19,250	19,250
Payables to broker-dealers and clearing organizations		—	4,574	—	4,574	4,574
Due to affiliates		—	364	—	364	364
Accounts payable, accrued expenses other		—	647	—	647	647
Total	$	—	33,788	—	33,788	33,788

Fair value can vary from period to period based on changes in a wide range of factors, including interest rates, credit quality, and market perceptions of value and as existing assets and liabilities run off and new transactions are entered into.

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition

December 31, 2022

Offsetting Assets and Liabilities

The following table presents financial instruments that are either subject to an enforceable netting agreement or offset by collateral arrangements. There were no financial instruments subject to a netting agreement for which the Company is not currently netting (dollars in millions).

Financial assets subject to enforceable master netting agreements

December 31, 2022		Gross assets recognized	Gross amounts offset in the statement of financial condition	Net assets recognized on the statement of financial condition	Gross amounts not offset (1) Financial instruments	Gross amounts not offset (1) Cash collateral received	Net amount
Securities borrowed	$	7,254	—	7,254	7,036	—	218
Securities purchased under agreements to resell		5,260	393	4,867	4,758	—	109
Total financial assets subject to enforceable master netting agreement	$	12,514	393	12,121	11,794	—	327

Financial liabilities subject to enforceable master netting agreements

		Gross liabilities recognized	Gross amounts offset in the statement of financial condition	Net liabilities recognized on the statement of financial condition	Gross amounts not offset (1) Financial instruments	Gross amounts not offset (1) Cash collateral pledged	Net amount
Securities loaned	$	1,790	—	1,790	1,718	—	72
Securities sold under agreements to repurchase		7,233	393	6,840	6,840	—	—
Total financial liabilities subject to enforceable master netting agreement	$	9,023	393	8,630	8,558	—	72

(1) The total amount reported in financial instruments is limited to the amount of the related instruments presented in the statement of financial condition and therefore any over-collateralization of these positions is not included.

PERSHING LLC
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Notes to Statement of Financial Condition

December 31, 2022

Repurchase Agreements and Securities Lending

The following table presents the contract value of repurchase agreements and securities lending transactions accounted for as secured borrowings by the type of collateral provided to counterparties.

Repurchase agreements and securities lending transactions accounted for as secured borrowings at December 31, 2022

(in millions)	Remaining contractual maturity of the agreements: Overnight and continuous	Up to 30 days	30 days or more	Total
Repurchase agreements:				
U.S. Treasury	$ 1,368	$ —	$ 1,380	$ 2,748
U.S. Government agencies	29	—	—	29
State and political subdivisions	38	49	602	689
Agency commercial MBS	10	45	—	55
Agency RMBS	536	—	—	536
Non-agency commercial MBS	—	5	—	5
Non-agency RMBS	—	1	—	1
Commercial paper/CDs	3	51	99	153
Corporate bonds	99	88	1,088	1,275
Equity securities	—	61	1,681	1,742
Total repurchase agreements	$ 2,083	$ 300	$ 4,850	$ 7,233
Securities Lending:				
U.S. Government agencies	8	—	—	8
U.S. Treasury	4	—	—	4
Agency RMBS	110	—	—	110
Agency commercial MBS	3	—	—	3
Corporate bonds	50	—	—	50
Equity securities	1,615	—	—	1,615
Total securities loaned	$ 1,790	$ —	$ —	$ 1,790
Total borrowings	$ 3,873	$ 300	$ 4,850	$ 9,023

The Company's repurchase agreements and securities lending transactions primarily encounter risk associated with liquidity. The Company is required to pledge collateral based on predetermined terms within the agreements. If the Company were to experience a decline in the fair value of the collateral pledged for these transactions, additional collateral could be required to be provided to the counterparty, thereby decreasing the amount of assets available for other liquidity needs that may arise.

As of December 31, 2022, the Company has $1,025 million of collateral related to repurchase agreements that had remaining contractual maturities that exceeded 90 days. In addition, as of December 31, 2022 the Company had securities with a contract value of $6,840 million that have been pledged without rehypothecation rights.

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition

December 31, 2022

(5) Fixed Assets

Fixed assets are included in other assets on the statement of financial condition and consists of the following (dollars in millions):

Capitalized software	$	233
Leasehold improvements		49
Computer software		8
Computer equipment		1
Other		85
Total		376
Less accumulated depreciation		(158)
Total fixed assets, net	$	218

The Company recorded computer equipment, computer software, and internal developed software retirements and write offs of $119.1 million as of December 31, 2022.

(6) Leasing

The Company has non-cancelable operating leases for office space that expire on various dates through 2037, some of which include options to extend or terminate the lease.

The following table presents the statement of financial condition information related to operating leases.

Statement of financial condition information	December 31 ,2022
(dollar in thousands)	Operating leases
Right-of-use assets *(a)*	$ 152.6
Lease liability *(b)*	$ 188.5
Weighted average:	
Remaining lease term	13.61 year
Discount rate *(annualized)*	2.41%

(a) Included in other assets on the statement of financial condition.

(b) Operating lease liabilities are included in accounts payable, accrued expenses and other on the statement of financial condition.

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PERSHING LLC
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Notes to Statement of Financial Condition

December 31, 2022

The following table presents cash flow information related to leases.

Cash flow information *(in millions)*		Year-to-Date ended December 31, 2022
Cash paid for amounts included in measurement of liabilities:		
Operating cash flows from finance leases	$	–
Operating cash flows from operating leases		9.5
Financing cash flows from finance leases		–

The following table presents the maturities of lease liabilities.

Maturities of lease liabilities *(in millions)*		Operating leases
For the year ended December 31, 2022		
2023		15.6
2024		15.6
2025		15.6
2026		15.6
2027		16.4
Thereafter		143.3
Total lease payments		222.1
Less: Imputed interest		33.7
Total	$	188.4

(7) Third Party Bank Loans and Lines of Credit

The Company has $350 million in uncommitted lines of credit with non-affiliated banks as of December 31, 2022. There were no borrowings against these lines of credit at December 31, 2022. Interest on such borrowings is determined at the time each loan is initiated.

(8) Income Taxes

The deferred income taxes reflect the tax effects of temporary differences between the financial reporting and tax bases of asset and liabilities. The Company has a gross deferred tax asset of $58.2 million and a gross deferred tax liability of $69.7 million at December 31, 2022. The deferred tax asset is primarily attributable to operating lease liabilities, while the deferred tax liability is primarily attributable to operating lease right-of-use assets. The net deferred tax liability is $11.5 million. The Company has not recorded a valuation allowance because the Company believes it is more likely than not that the deferred tax assets will be realized.

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Federal and state taxes payable due to BNY Mellon of $59.1 million and $12.6 million, respectively, are included in affiliate payables on the statement of financial condition. State taxes payable of $0.3 million are included in accounts payable, accrued expenses and other on the statement of financial condition.

BNY Mellon's federal consolidated income tax returns are closed to examination through 2016. The New York State and New York City income tax returns are closed to examination through 2014. The Company's New Jersey income returns are closed to examination through 2017.

(9) Related Party Transactions

The Company provides clearing, sales and trading, and brokerage related services to indirect wholly owned subsidiaries of BNY Mellon. Balances due from/to these affiliates related to these services were approximately $268.0 million and $124.1 million, respectively. They are included in receivables from affiliates and payables to affiliates, respectively, on the statement of financial condition. The Company had securities failed to deliver of $16.4 million and securities failed to receive of $14.5 million with affiliates. They are included in receivables from broker-dealers and clearing organizations and payables to broker-dealers and clearing organizations, respectively, on the statement of financial condition.

The Company has $7.1 billion of unsecured loan facilities with the Parent. At December 31, 2022, there were no borrowings against the loan facilities. The Company also has loan agreements with two affiliates. At December 31, 2022, there were borrowings against the loans of approximately $70 million, which are included in payables to affiliates.

Balances due to BNY Mellon for taxes, payroll, technology and leased equipment were $170.0 million and are included in payables to affiliates on the statement of financial condition. The Company maintains a collateralized financing arrangement with an affiliate associated with repurchase agreements, with the maximum facility of $200 million. At December 31, 2022, the Company did not have any affiliated repurchase agreement transactions. At December 31, 2022, the Company had not entered into securities lending agreements with another affiliate.

For the year ended December 31, 2022, the Company leased furniture and fixtures and computer and other communications equipment from an affiliate.

Additionally, the Company contracts through certain related parties acting in their role as agents to facilitate transactions between the Company and certain principal third parties for securities borrowed and tri-party repurchase or reverse repurchase transactions. Any risk assumed in these transactions is solely between the principal third parties and the Company.

(10) Employee Benefit Plans

BNY Mellon sponsors a 401(k) plan (the Plan) for its active employees. The Plan offers the Company's employees the opportunity to plan, save and invest for their future financial needs. The Company makes periodic contributions to the Plan based on the discretion of management.

(continued)

PERSHING LLC
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Notes to Statement of Financial Condition
December 31, 2022

(11) Pledged Assets and Guarantees

Under the Company's collateralized financing arrangements and other business activities, the Company either receives or provides collateral. In many cases, the Company is permitted to sell or repledge these securities held as collateral. At December 31, 2022, the fair value of securities received as collateral where the Company is permitted to sell or repledge the securities was $40,969 million and the fair value of the portion that had been sold or repledged was $22,396 million. The details of these sources and the uses of collateral are noted in the below tables (dollars in millions).

Source of available collateral – received, borrowed or owned:		
Financial instruments owned, at fair value	$	722
Securities borrowed		7,057
Securities purchased under agreements to resell		5,150
Margin securities available to sell or re-pledge		28,040
Total source of collateral	$	40,969
Use of available collateral – re-pledged, loaned or sold:		
Financial instruments sold, not yet purchased, at fair value	$	1
Securities loaned		1,720
Securities sold under agreements to repurchase		7,512
Pledged to clearing corporations		106
Short sale covering		9,572
Qualified securities segregated for regulatory purposes		3,485
Total use of collateral	$	22,396

The Company also conducts a fully paid lending program, in which customers agree to make available their fully paid securities to be loaned to third parties in exchange for a fee. At December 31, 2022, the fair value of the securities borrowed under this program was $58 million and is included in securities borrowed and securities loaned on the statement of financial condition and included in the table above.

Obligations under Guarantees

The Company applies the disclosure and recognition requirements for guarantees in accordance with ASC Topic 460, *Guarantees*, whereby the Company will recognize a liability at the inception of a guarantee for obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that certain events or conditions occur.

The Company provides guarantees to securities clearinghouses and exchanges. Under the standard membership agreement, members are required to guarantee the performance of other members. Under the agreements, if another member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. The Company's liability under these arrangements is not quantifiable or limited and could exceed the cash and securities it has posted as collateral. However, management believes the potential for the Company to be required to make payments under these

(continued)

arrangements is remote. Accordingly, no contingent liability is carried on the statement of financial condition for these arrangements.

In connection with its securities clearing business, the Company performs securities execution, clearance and settlement services on behalf of other broker-dealer clients. Management believes the potential for the Company to be required to make unreimbursed payments relating to such services is remote due to the contractual capital requirements associated with clients' activity and the regular review of clients' capital. Accordingly, no contingent liability is carried on the statement of financial condition for these transactions.

(12) Commitments and Contingences

As of December 31, 2022, the Company had commitments with nine clients to lend a maximum total of $57.8 million for various terms. These commitments consisted of outstanding loans of $57.8 million, and no unfunded commitments.

The Company is involved in various legal proceedings arising in connection with the Company's business activities. Based on currently available information and the advice of counsel, the Company believes that the aggregate results of all such proceedings will not have a material adverse effect on the Company's financial condition. The Company intends to defend itself vigorously against all claims asserted against it. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and settlements for which loss contingencies are both probable and estimable. The Company will continue to monitor all such matters and will adjust the reserve amounts as appropriate.

Matters Related to R. Allen Stanford

In late December 2005, Pershing LLC ("Pershing") became a clearing firm for Stanford Group Co. ("SGC"), a registered broker-dealer that was part of a group of entities ultimately controlled by R. Allen Stanford ("Stanford"). Stanford International Bank, also controlled by Stanford, issued certificates of deposit ("CDs"). Some investors allegedly wired funds from their SGC accounts to purchase CDs. In 2009, the Securities and Exchange Commission charged Stanford with operating a Ponzi scheme in connection with the sale of CDs, and SGC was placed into receivership. Alleged purchasers of CDs have filed two putative class action proceedings against Pershing: one in November 2009 in Texas federal court, and one in May 2016 in New Jersey federal court. On Nov. 5, 2021, the court dismissed the class action filed in New Jersey and that matter has concluded. Three lawsuits remain against Pershing in Louisiana and New Jersey federal courts, which were filed in January 2010, October 2015 and May 2016. The purchasers allege that Pershing, as SGC's clearing firm, assisted Stanford in a fraudulent scheme and assert contractual, statutory and common law claims. In March 2019, a group of investors filed a putative class action against The Bank of New York Mellon in New Jersey federal court, making the same allegations as in the prior actions brought against Pershing. On Nov. 12, 2021, the court dismissed the class action against The Bank of New York Mellon; on Dec. 15, 2022, an appeals court reversed the dismissal and returned the case to the trial court for further proceedings. All the cases that have been brought in federal court against Pershing have been consolidated in Texas federal court for discovery purposes. Various alleged Stanford CD purchasers asserted similar claims in Financial Industry Regulatory Authority, Inc. ("FINRA") arbitration proceedings.

(continued)

Off-Channel Business-Related Communications

The Company has been responding to a request for information from the SEC concerning compliance with recordkeeping obligations relating to business communications transmitted on unapproved electronic communication platforms. SEC Staff has stated that it is conducting similar inquiries into recordkeeping practices at other financial institutions. The Company is cooperating with the inquiry.

(13) Regulatory Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule under Rule 15c3-1 of the Securities Exchange Act of 1934 and has elected to use the alternative method of computing regulatory net capital requirements provided for in that Rule. Under the alternative method, the required net capital may not be less than two percent of aggregate debit items arising from customer transactions or $1.5 million, whichever is greater. At December 31, 2022, the Company's regulatory net capital of approximately $2.7 billion was 20.35% of aggregate debit items and in excess of the minimum requirement by approximately $2.46 billion.

Advances to affiliates, repayment of borrowings, dividend payments to Parent and other equity withdrawals are subject to certain notification and other provisions of the Rule 15c3-1 and other regulatory bodies.

Pursuant to Rule 15c3-3 of the SEC, the Company may be required to deposit in a Special Reserve Bank Account, cash or acceptable qualified securities for the exclusive benefit of customers. At December 31, 2022, the Company had approximately $9.4 billion of cash and acceptable qualified securities on deposit in such accounts.

As a clearing broker, the Company is required to compute a reserve requirement for the proprietary accounts of broker-dealers (the PAB Reserve Formula). As of December 31, 2022, the Company had approximately $186 million of cash deposits and acceptable qualified securities in accounts designated for the exclusive benefit of PAB pursuant to Rule 15c3-3 of the SEC.

(14) Financial Instruments and Related Risks

(a) Customer Activities

Certain market and credit risks are inherent in the Company's business, primarily in facilitating customers' trading and financing transactions in financial instruments. In the normal course of business, the Company's customer activities include execution, settlement, and financing of various customer securities, which may expose the Company to both on and off-balance sheet risk in the event the customer is unable to fulfill its contractual obligations.

(continued)

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
The Bank of New York Mellon Corporation)

Notes to Statement of Financial Condition

December 31, 2022

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to customers, which is collateralized by cash and/or securities in the customer's account. In connection with these activities, the Company executes and clears customer transactions involving securities sold but not yet purchased and option contracts. The Company seeks to control risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory, exchange and internal guidelines. The Company monitors required margin levels daily; pursuant to such guidelines, the Company requires the customer to deposit additional collateral or to reduce positions, when necessary. Such transactions may expose the Company to significant off-balance sheet risk in the event the collateral is not sufficient to fully cover losses which customers may incur. In the event the customer fails to satisfy its obligations, the Company may be required to purchase or sell the collateral at prevailing market prices in order to fulfill the customer's obligations.

The Company's customer financing and securities settlement activities may require the Company to pledge customer securities as collateral in support of various secured financing sources, such as securities loaned. Additionally, the Company pledges customer securities as collateral to satisfy margin deposits of the Options Clearing Corporation. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its obligation. The Company controls 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 exposures.

(b) Credit Risk

As a securities broker and dealer, the Company is engaged in various securities trading and brokerage activities servicing a diverse group of domestic and foreign corporations, governments, and institutional and individual investors. A substantial portion of the Company's transactions is executed with and on behalf of institutional investors including other broker-dealers, banks, U.S. government agencies, mutual funds, hedge funds and other financial institutions.

Credit risk is the potential for loss resulting from the default by a counterparty of its obligations. Exposure to credit risk is generated by securities and currency settlements, contracting derivative and forward transactions with customers and dealers, and the holding in inventory of loans. The Company uses various means to manage its credit risk. The creditworthiness of all counterparties is analyzed at the outset of a credit relationship with the Company. These counterparties are subsequently reviewed on a periodic basis. The Company sets a maximum exposure limit for each counterparty, as well as for groups or classes of counterparties. Furthermore, the Company enters into master netting agreements when feasible and demands collateral from certain counterparties or for certain types of credit transactions.

(c) Market Risk

Market risk is the potential loss the Company may incur as a result of changes in the market or fair value of a particular financial instrument. All financial instruments are subject to market risk. The

(continued)

PERSHING LLC
(An Indirect Wholly Owned Subsidiary of
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Notes to Statement of Financial Condition

December 31, 2022

Company's exposure to market risk is determined by a number of factors, including size, duration, composition and diversification of positions held, the absolute and relative level of interest rates and foreign currency exchange rates, as well as market volatility and liquidity. The Company manages market risk by setting and monitoring adherence to risk limits.

Financial instruments sold, not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk, as the Company's ultimate obligation to satisfy the sale of financial instruments sold, not yet purchased may exceed the amount reflected in the statement of financial condition.

(d) Operational Risk

In providing a comprehensive array of products and services, the Company may be exposed to operational risk. Operational risk may result from, but is not limited to, errors related to transaction processing, breaches of internal control systems and compliance requirements, fraud by employees or persons outside the Company or business interruption due to systems failures or the other events. Operational risk may also include breaches of the Company's technology and information systems resulting from unauthorized access to confidential information or from internal or external threats, such as cyber attacks. Operational risk also includes potential legal or regulatory actions that could arise as a result of noncompliance with applicable laws and/or regulatory requirements. In the case of an operational event, the Company could suffer a financial loss as well as damage to our reputation.

(e) Financial Instruments with Off-Balance-Sheet Risk

The Company may enter into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments may include forward foreign exchange contracts that are used to meet the needs of customers. Generally, forward foreign exchange contracts represent future commitments to purchase or sell foreign currency at specific terms at specified future dates.

(15) Subsequent Events

The Company has evaluated subsequent events from December 31, 2022 through February 27, 2023, the date the Company's statement of financial condition is available to be issued.

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KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Service Auditors' Report

To the Audit Committee of The Bank of New York Mellon Corporation:

Scope

We have examined BNY Mellon | Pershing's ("Pershing") description of its system titled "BNY Mellon | Pershing's Description of its Introducing Firm Services, Prime Services, and Managed Accounts Operations System" for processing user entities' transactions throughout the period October 1, 2021 to September 30, 2022 (the Description) and the suitability of the design and operating effectiveness of the controls included in the Description to achieve the related control objectives stated in the Description, based on the criteria identified in "BNY Mellon | Pershing's Assertion" (the Assertion). The controls and control objectives included in the Description are those that management of Pershing believes are likely to be relevant to user entities' internal control over financial reporting, and the Description does not include those aspects of the introducing firm services, prime services, and managed accounts operations system (the System) that are not likely to be relevant to user entities' internal control over financial reporting.

The information included in Section V, "Other Information Provided by BNY Mellon | Pershing", is presented by management of Pershing to provide additional information and is not a part of Pershing's description of its introducing firm services, prime services, and managed accounts operations system made available to user entities during the period October 1, 2021 to September 30, 2022. Information about Pershing's management response details; Information about relevance of the controls to the user entities; NetX360 Report Center and eAnalytics reports completeness and accuracy; Pershing's enterprise resiliency overview including pandemic planning overview/COVID-19 impact; and SEC Rule 206(4)-2 "Custody of Funds or Securities of Clients by Investment Advisers" under the Investment Advisers Act of 1940 has not been subjected to the procedures applied in the examination of the Description and of the suitability of the design and operating effectiveness of controls to achieve the related control objectives stated in the Description and, accordingly, we express no opinion on it.

Pershing uses the subservice organizations identified in Section III to perform some of the services provided to user entities that are likely to be relevant to those user entities' internal control over financial reporting. The Description includes only the control objectives and related controls of Pershing and excludes the control objectives and related controls of the subservice organizations. The Description also indicates that certain control objectives specified by Pershing can be achieved only if complementary subservice organization controls assumed in the design of Pershing's controls are suitably designed and operating effectively, along with the related controls at Pershing. Our examination did not extend to controls of the subservice organizations and we have not evaluated the suitability of the design or operating effectiveness of such complementary subservice organization controls.

The Description indicates that certain control objectives specified in the Description can be achieved only if complementary user entity controls assumed in the design of Pershing's controls are suitably designed and operating effectively, along with related controls at Pershing. Our examination did not extend to such complementary user entity controls, and we have not evaluated the suitability of the design or operating effectiveness of such complementary user entity controls.

Service Organization's Responsibilities

In Section II, Pershing has provided the Assertion about the fairness of the presentation of the Description and suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description. Pershing is responsible for preparing the Description and Assertion, including the completeness, accuracy, and method of presentation of the Description and Assertion, providing the services covered by the Description, specifying the control objectives and stating them in the Description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria stated in the Assertion, and designing, implementing, and documenting controls that are suitably designed and operating effectively to achieve the related control objectives stated in the Description.

Service Auditors' Responsibilities

Our responsibility is to express an opinion on the fairness of the presentation of the Description and on the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the Description, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether, in all material respects, based on the criteria in the Assertion, the Description is fairly presented and the controls were suitably designed and operated effectively to achieve the related control objectives stated in the Description throughout the period October 1, 2021 to September 30, 2022. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

An examination of a description of a service organization's system and the suitability of the design and operating effectiveness of controls involves

- performing procedures to obtain evidence about the fairness of the presentation of the description and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives stated in the description, based on the criteria in management's assertion
- assessing the risks that the description is not fairly presented and that the controls were not suitably designed or operating effectively to achieve the related control objectives stated in the description
- testing the operating effectiveness of those controls that management considers necessary to provide reasonable assurance that the related control objectives stated in the description were achieved
- evaluating the overall presentation of the description, suitability of the control objectives stated in the description, and suitability of the criteria specified by the service organization in its assertion

Service Auditors' Independence and Ethical Responsibilities

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Inherent Limitations

The Description is prepared to meet the common needs of a broad range of user entities and their auditors who audit and report on user entities' financial statements and may not, therefore, include every aspect of the System that each individual user entity may consider important in its own particular environment. Because of their nature, controls at a service organization may not prevent, or detect and correct, all misstatements in processing or reporting transactions. Also, the projection to the future of any evaluation of the fairness of the presentation of the Description, or conclusions about the suitability of the design or operating effectiveness of the controls to achieve the related control objectives stated in the Description is subject to the risk that controls at a service organization may become ineffective.

Description of Tests of Controls

The specific controls tested and the nature, timing and results of those tests are listed in Section IV.

KPMG

Opinion

In our opinion, in all material respects, based on the criteria described in BNY Mellon | Pershing's Assertion:

a. the Description fairly presents the System that was designed and implemented throughout the period October 1, 2021 to September 30, 2022.

b. the controls related to the control objectives stated in the Description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2021 to September 30, 2022, and subservice organizations and user entities applied the complementary controls assumed in the design of Pershing's controls throughout the period October 1, 2021 to September 30, 2022.

c. the controls operated effectively to provide reasonable assurance that the control objectives stated in the Description were achieved throughout the period October 1, 2021 to September 30, 2022 if complementary subservice organization controls and complementary user entity controls, assumed in the design of Pershing's controls, operated effectively throughout the period October 1, 2021 to September 30, 2022.

Restricted Use

This report, including the description of tests of controls and results thereof in Section IV, is intended solely for the information and use of management of Pershing, user entities of Pershing's System during some or all of the period October 1, 2021 to September 30, 2022, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have a sufficient understanding to consider it, along with other information, including information about controls implemented by user entities themselves, when assessing the risks of material misstatement of user entities' financial statements. This report is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Philadelphia, Pennsylvania
November 30, 2022

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BNY MELLON | PERSHING

4TH QUARTER 2022

Understanding the Protection of Client Assets

BNY MELLON'S PERSHING: STRENGTH, STABILITY AND FOCUS

Pershing works behind the scenes on behalf of your wealth manager or financial firm to provide a variety of services and custody your assets. Pershing has been a leading global provider of financial business solutions for almost 85 years, so you can feel confident that your assets are in strong hands. Pershing is the trusted choice of approximately 1,300 firms, representing more than 7.5 million investors and is committed to the protection, servicing and reporting of assets for investors like you.

The Protection of Client Assets Remains at the Center of Our Focus

FINANCIAL STRENGTH—DECEMBER 31, 2022

BNY MELLON'S PERSHING

- Over $2.0 trillion in global client assets
- Net capital of over $2.0 billion—well above the minimum requirement

THE BANK OF NEW YORK MELLON CORPORATION

- $44.3 trillion in assets under custody and/or administration
- $1.8 trillion in assets under management

Segregation and Control of Assets

BROKERAGE CUSTODY: PERSHING

Pershing's core financial strength provides the first measure of protection for our global client assets. Our parent company, BNY Mellon, is one of the world's largest global custodians. While financial strength does not protect against loss due to market fluctuation, our internal controls and regulatory oversight help maintain our stability and focus.

Pershing protects client assets through rigorous internal control measures. An annual audit by a major independent audit firm and the audit team at our parent company, BNY Mellon, helps to monitor controls that are in place. In addition, a Service Organization Control report conducted by an independent audit firm provides additional evaluation of the design and operating effectiveness of Pershing's internal controls.

Clients' fully paid-for physical assets are segregated from our own, with quarterly vault inspections conducted. In addition, we segregate cash and/or qualifying securities in special reserve bank accounts for the exclusive benefit of clients, to protect clients' funds in the unlikely event of Pershing's failure and liquidation.

Pershing is a FINRA member broker-dealer registered with the U.S. Securities and Exchange Commission (SEC). Pershing is registered in all 50 states as well as the District of Columbia and Commonwealth of Puerto Rico, and certain foreign jurisdictions.

BANK CUSTODY: BNY MELLON, N.A.

BNY Mellon, N.A.'s structure requires clients' securities be segregated from the securities of the bank, and from those of other clients. The securities in a client's account with BNY Mellon, N.A. are the property of that client and are held in nominee name. As clients' assets and accounts are separately accounted for, creditors of The Bank of New York Mellon Corporation and those of BNY Mellon, N.A., and their subsidiaries do not have any rights to the securities in client accounts. Shares of money market mutual funds, as investment securities, also fall within this rule. Any asset, of course, is subject to losses or gains from an investment perspective.

There are also established regulatory controls that cover our institution. As a publicly traded company, The Bank of New York Mellon Corporation periodically files publicly available reports with the SEC. In addition, as a financial holding company, it is regulated by the Board of Governors of the Federal Reserve System. BNY Mellon, N.A. is regulated by the Office of the Comptroller of the Currency, which is part of the U.S. Department of the Treasury.

Additional Protection

BROKERAGE CUSTODY

Securities Investor Protection Corporation® (SIPC®) Coverage

Pershing is a member of SIPC. Securities in your account protected up to $500,000. For details, please see www.sipc.org.

Excess of SIPC Coverage Through Underwriters at Lloyd's and Other Commercial Insurers

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market and other commercial insurers. The excess of SIPC coverage is valid through February 10, 2024 for Pershing LLC accounts. It provides the following protection for Pershing LLC's global client assets:

- An aggregate loss limit of $1 billion for eligible securities—over all client accounts
- A per-client loss limit of $1.9 million for cash awaiting reinvestment—within the aggregate loss limit of $1 billion

SIPC and the excess of SIPC coverage do not protect against loss due to market fluctuation.

An excess of SIPC claim would only arise if Pershing failed financially and client assets for covered accounts—as defined by SIPC—cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of client securities, or to maintain the special reserve bank account required by applicable rules.

BANK CUSTODY

Federal Deposit Insurance Corporation (FDIC) Protection

BNY Mellon, N.A. clients holding bank cash deposits—which include a sweep account for bank custody products—receive separate protection.

The FDIC standard maximum insurance amount is $250,000 per depositor, per insured bank, in each account ownership category. The FDIC rules are very specific. For a complete explanation of the FDIC's regulations, we encourage our clients to visit fdic.gov.

pershing.com

One Pershing Plaza, Jersey City, NJ 07399

WRQ-1211_Pershing Strength and Stability_4Q_0123

OVR-PER-SSF-4Q22

BNY Mellon Insurance Coverage – US Domestic

All coverage is regularly reviewed and renewed prior to expiration dates. Our policies are stand-alone policies and loss limits are not combined.

The insurance coverage listed provides protection for The Bank of New York Mellon Corporation and all other corporations, companies, firms, enterprises or entities which are subsidiaries of or affiliated with it and in which the named insured has more than 50% ownership. All carriers identified herein are rated A- or better by A.M. Best.

Financial Institutions Bond / Computer Crime Coverage	
Per Loss Limit:	$150,000,000
Carrier:	Lloyd's of London
Coverage Type:	a) Dishonesty of employees b) Forgery of securities, checks, drafts or other written instruments Loss or destruction of cash or securities on or off premises
Expiration:	December 1, 2023

All Risk Money and Securities Coverage – J Form (On Premises and In Transit) Excess of the F. I. Bond	
Per Loss Limit:	$850,000,000
Carrier:	Lloyd's of London
Coverage Type:	Loss or destruction of cash or securities on or off premises (including securities of others held in custody or held at sub-custodian).
Expiration:	December 1, 2023

Mail Insurance (Per Envelope Limit)	
Per Envelope Limit	$100,000,000 non-negotiable $10,000,000 negotiable
Carrier:	Chubb Group of Insurance Companies
Coverage Type:	All risk of physical loss of property sent by registered mail or overnight courier.
Expiration:	Continuous

Bankers Professional Liability / Professional indemnity (E&O)	
Per Loss Limit:	$100,000,000
Carrier:	AXA XL, WR Berkley, Axis, CV Starr, Nationwide, Markel and other domestic & international carriers
Coverage Type:	Losses due to errors or omissions
Expiration:	December 1, 2023

Directors and Officers Liability	
Per Loss Limit:	Corporate: $75,000,000 Individual: $75,000,000
Carrier:	AXA XL, AIG, Markel, AWAC & Nationwide
Coverage Type:	Coverage for wrongful acts in respective capacities of Directors or Officers of the Company
Expiration:	December 1, 2023

All Risk Property	
Per Loss Limit	$800,000,000
Carrier:	Lexington Insurance Company (AIG)
Coverage Type:	Physical damage coverage for all real and personal property including Data Processing equipment, Business Interruption, Boiler and Machinery Service Interruption / Extra Expense, Earthquake / Flood, Fine Arts
Expiration:	June 1, 2023
Coverage Type:	Terrorism
Per Loss Limit	$800,000,000
Carrier:	The Hamilton Insurance Company Corp
Expiration:	June 1, 2023

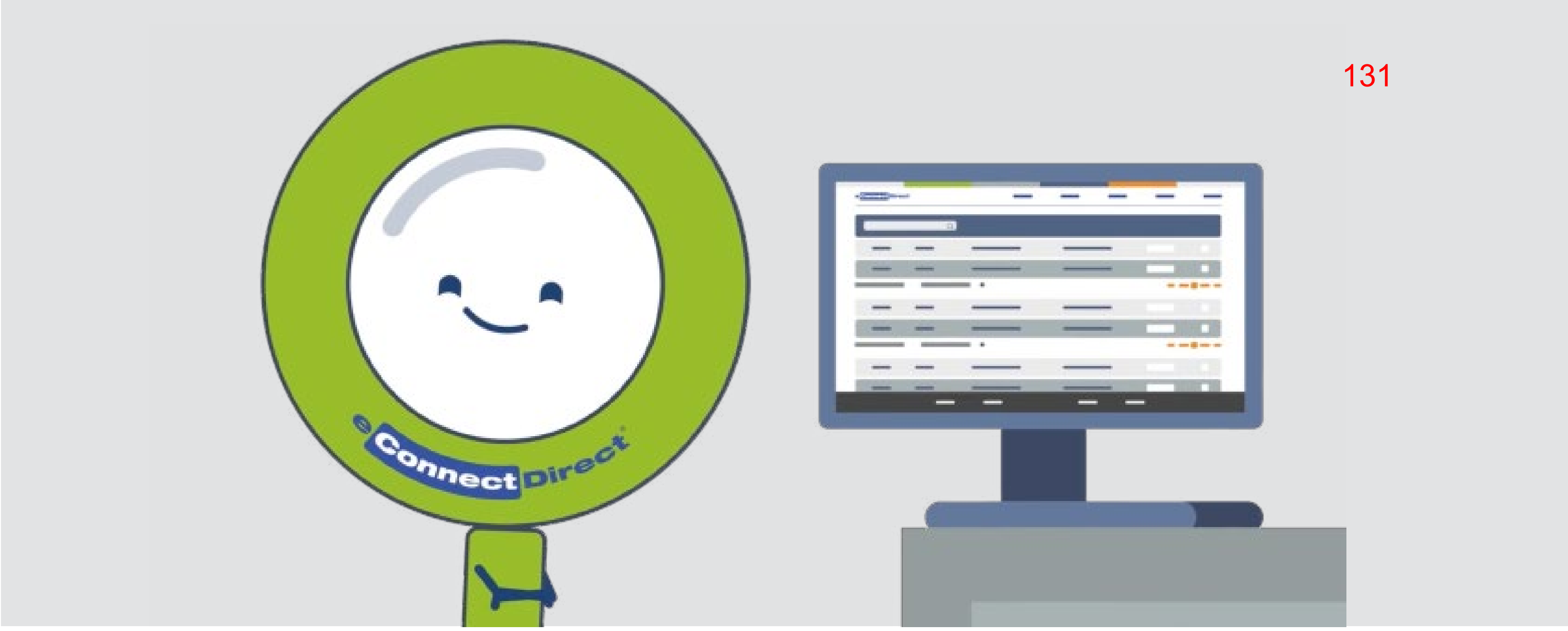
Enterprise Privacy Liability (Cyber)	
Per Loss Limit	$325,000,000 Third Party Liability $325,000,000 Extra Expense
Coverage Type	Lloyd's of London & other domestic and int'l carriers Privacy breach and internet liability
Expiration:	December 1, 2023

Workers' Compensation / Employers Liability (Domestic)	
Per Loss Limit	Statutory $1,000,000 – Limit for Employers Liability
Carrier:	AIG
Coverage Type	Job related injuries
Expiration:	April 1, 2023

Primary General Liability (Domestic)	
Per Loss Limit	$2,000,000
Carrier:	Chubb
Coverage Type	Third party bodily injury / property damage
Expiration:	April 1, 2023

Primary Automobile Liability (Domestic)	
Per Loss Limit	$2,000,000
Carrier:	Chubb
Coverage Type	Third party bodily injury / property damage
Expiration:	April 1, 2023

Excess / Umbrella Liability	
Per Loss Limit	$25,000,000
Carrier:	AIG & AWAC
Coverage Type	Liability coverage in excess of primary coverage
Expiration:	April 1, 2023



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- U.S. Treasuries
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- New-Issue and Secondary DTC Offerings
- Municipal Bonds
- Corporate Bonds

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*There may be fees associated with other products/services offered by Multi-Bank Securities, Inc.

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Olivenhain Municipal Water District

Agenda Item 8

Memo

Date: February 7, 2024

To: Finance Committee

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **RECEIVE REPORT ON SURVEY OF RESERVE POLICIES (INFORMATIONAL ITEM)**

This is a follow-up item requested by Director Meyers at the November Finance Committee meeting.

A copy of the Reserve Policies Survey is attached for review by the Committee.

Staff will be available for discussion at the meeting.

Attachment: Survey of Reserve Policies

Survey of Reserve Policies

As of	Agency	Reserve Policy	Minimum/Target Reserve Requirement	Maximum Reserve Requirement	Debt Outstanding in most recent ACFR
2017	San Dieguito Water District	Operating	90 days (25%) of future fiscal year operating expenditures	N/A	City of Encinitas Water Bonds and Notes: $204,4371
		Capital	1 times the future 5-year average annual CIP	2 times the future 5-year average annual CIP	
		Rate Stabilization	15% of future fiscal year water rate (commodity) and service charge (fixed) revenue	N/A	
Reserve Policy	Poway	Operating	45% (City General Fund) operating expenditures 20% (Water and Sewer Funds) operating expenditures	N/A	City of Poway Water Revenue Bonds: $14,699,489
		Capital	5-year Average CIP	5-year Average CIP	
2021	Santa Fe Irrigation District	Operating	60 days of current year operating expenses less depreciation	90 days of current year operating expenses less depreciation	No outstanding debt since FY 2020
		Capital	Sum of paygo portion of 100% of current year CIP + 50% of next year CIP + 25% 3rd year CIP	Paygo portion of first 3 years of 10-year CIP	
		Rate Stabilization	100% of the cost to replaces local water supplies with SDCWA untreated supplies for the year	Sum of: *1 year cost to replace local supply with SDCWA untreated *1 year principal and interest cost of Debt *25% of 1 year's Variable water revenue	
2023	Padre dam	Operating/Rate Stabilization	3 months of operating expenses + 1 year of interest expense on debt services + 10% of gross revenue	6 months of operating expenses + 1yr of interest expense on debt services + 20% of gross revenue	As of FY 22: $48,634,325
		Capital	1 year of CIP + 1 year principal portion of debt services + an undisclosed amount for the "Major CIP Fund"	2 year CIP + 1 year principal portion on debt services + an undisclosed amount for the "Major CIP Fund"	
2024 Budget	Sweetwater	Operating/Capital (Designated Reserves)	60 days of annual operating expenses. Should the Authority determine to target a higher credit rating level, these minimums will be adjusted accordingly.	N/A	$22,364,167
		Rate Stabilization	Equal to the volume of M&I wholesale water purchases for a six month period multiplied by the most current SDCWA Treatment Rate and rounded to the nearest one-hundred thousand.	Equal to the volume of M&I wholesale water purchases required for a 24 month period when no surface reservoir water is available multiplied by the most current SDCWA Melded Untreated M&I Supply Rate and Transportation Rate, rounded to the nearest one-hundred thousand	
2023 ACFR	Helix	Operating	90 days of budgeted operating expenses	120 days of budgeted operating expenses	$1,770,000 (will be paid off this year)
		Capital	At the end of each fiscal year, any unspent budgeted capital improvement PayGo amounts that are not already appropriated will be reallocated to this fund and will be used in a future year's capital budget, allowing for the completion of projects that span fiscal years.	No min or max specified	
		Rate Stabilization	5% water billing revenue	10% water billing revenue	

As of	Agency	Reserve Policy	Minimum/Target Reserve Requirement	Maximum Reserve Requirement	Debt Outstanding in most recent ACFR
2021 Recycled COSS	San Elijo JPA	Operating	Sixty (60) days of the current fiscal year's operating budget, less depreciation/amortization.	One hundred and twenty (120) days of the current fiscal year's operating budget, less depreciation/amortization.	$34,053,239
		Capital	100% of the current fiscal year's CIP, 50% of following fiscal year's CIP, and 25% of the succeeding fiscal year's CIP	100% of next 3 years CIP	
		Rate Stabilization	One year of debt service payments + 25% of the current fiscal year's budgeted sales revenue	One year of debt service payments + 100% of the current fiscal year's budgeted sales revenue	
2014 Policy	Vallecitos	Operating	No minimum specified. Operating reserve deficiencies will be funded by transfers from rate stabilization, then replacement reserves, then by budgeted surplus from increased rates.	180 days of annual O&M expenditures	$69,590,774
		Capital	Next 3 years of CIP replacement costs	Next 10 years of CIP replacement costs	
		Rate Stabilization	No minimum specified. Fund receives transfers in from replacement reserve in excess of replacement reserve limit. Fund is used to restore reserves to their limits in subsequent years while holding rates for commodity and recovery of fixed costs steady.	No max specified. If, after restoring reserves, balance continues to increase, rates will be lowered to extent deemed necessary by management, and the board.	
2025 Budget	SDCWA	Operating	Minimum $5,000,000 for emergency repairs	Maximum balance of 45 days of average annual operating expenditures	$2,011,030,557
		Capital	N/A	N/A	
		Rate Stabilization	Financial impact of 2.5 years of wet weather or mandatory restrictions.	Financial impact of 3.5 years of wet weather or mandatory restrictions.	
2023 Policy	Olivenhain	Operating	60 days of annual O&M expenditures	120 days of annual O&M expenditures	$47,067,276
		Capital	average annual CIP expenditures over the next 10 years	five years of average annual 10-year CIP expenditures	
		Rate Stabilization	25% of estimated net water sales in the current fiscal year	50% of estimated net water sales for the next two fiscal years	
		Pension Stabilization	1 year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years.	1 year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years.	