Velox Clearing LLC

Statement of Financial Condition

June 30, 2019

(Unaudited)

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ASSETS		
Cash and Cash Equivalents	$	6,780,013
Cash Segregated under Federal Regulations		750,000
Deposits with Clearing Organization		2,111,185
Fixed Assets less Accumulated Depreciation		375,433
Right-of-Use less Accumulated Depreciation		1,805,394
Other Assets		501,555
TOTAL ASSETS	$	12,323,580
LIABILITIES AND OWNER'S EQUITY		
Payable to Customers	$	926,845
Payable to Correspondents		50,000
Payable to Affiliates		8,237
Operation Lease Liabilities		1,864,840
Accrued Payable and Other Liabilities		310,404
TOTAL LIABILITIES	$	3,160,326
OWNER'S EQUITY		9,163,255
TOTAL LIABILITIES AND OWNER'S EQUITY	$	12,323,580

Velox Clearing LLC

Notes to Financial Statements (Unaudited)
June 30, 2019

Note 1. Organization and Description of Business

Velox Clearing LLC (the "Company") was formed on August 9, 2017 in the State Nevada. It is a wholly owned subsidiary of Velox Holdings Inc., a Nevada Corporation (the “Parent”). The Company is a clearing broker-dealer registered with the Securities and Exchange Commission (“SEC”), a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), the Securities Investor Protection Corporation (“SIPC”), National Securities Clearing Corp. (“NSCC), the Depository Trust Company (DTC), Nasdaq and NYSE-ARCA.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (”U.S. GAAP”).

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management believes that the estimates utilized in preparing its financial statements are reasonable. However, actual results could differ from those estimates.

Fair Value

Substantially all of the Company’s assets and liabilities, including financial instruments are carried at fair value based on published market prices and are marked to market. The Company applies the fair value hierarchy in accordance with FASB Accounting Standards Codification (“ASC” Topic 820, “Fair Value Measurement” (“ASC Topic 820”), to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are:
Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assts or liabilities.

Level 2 – Quoted prices for similar assets in an active, quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 – Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.

Financial instruments owned, at fair value and financial instruments sold, but not yet purchased, at fair value are generally classified as Level 1 of the fair value hierarchy. The Company's Level 1 financial instruments are valued using quoted market prices as published by exchanges and clearing houses or otherwise broadly distributed in active markets.

Cash

The Company has maintained its cash and cash equivalents with banks.

Cash Segregated

Cash and securities segregated and on deposit for regulatory purposes consists of cash in special reserve bank accounts for the exclusive benefit of clients under Rule 15c3-3 of the Securities Exchange Act of 1934 (the "Customer Protection Rule") and other regulations.

Deposit with Clearing Organization

Deposits with clearing organizations represent cash deposited with central clearing agencies for the purposes of supporting clearing and settlement activities or to meet margin requirements at clearing house.

Restricted Cash

Restricted cash represents cash held for the Company's letter of credit on its office lease agreement.

Fixed Assets

Fixed assets are recorded at cost, net of accumulated depreciation, and consist primarily of leasehold improvements of $241,815 and $133,618 of furniture, fixture and office equipment including computer hardware.

Contingencies

The Company recognizes liabilities that it considers probable and can be reasonably estimable as contingencies and accrues the related costs it believes sufficient to meet the exposure. In the normal course of business, the Company is subject to certain pending and threatened legal actions. The company has no pending litigation.

Receivable from and Payable to customers

Customer securities transactions are recorded on a settlement date basis. Receivables from customers and payable to customers include amounts due on cash and margin transactions.

Securities owned by customers, including those that collateralize margin loans or other similar transactions, are not reported in the statement of financial condition.

Receivable from and payable to correspondents

The Company collects commissions and other fees from end customers each month. As stipulated by individual agreements with correspondent introducing brokers (“Correspondents”), the company calculates and distributes amounts due from or to Correspondents.

Other Assets

Other assets are comprised of receivables generated in the normal course of business, such as interest receivables, prepaid expenses, and an investment in the Depository Trust & Clearing Corporation (“DTCC”).

Income taxes

The Company is a limited liability company for federal and state income tax purposes. Under laws pertaining to income taxation of limited liability companies, no federal income tax is paid by the Company. The income or loss of the Company is taxed to the member in its respective return. Accordingly, no provision for income taxes besides the $800 minimum California state franchise tax is reflected in the accompanying financial statements.

The Company evaluates its tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. As of June 30, 2019 the Company does not have any significant uncertain tax positions for which a reserve would be necessary.

Operating Lease

The Company leases its office facility in Anaheim, California with the operating lease expiring on July 2020. Expense from operating lease is calculated and recognized evenly over the lease period taking into account rent holidays, lease incentives and escalating rent terms. The Company's future minimum annual lease payments and estimated leasehold improvement are as follows:

Ending June 2019	
2019	141,463.14
2020	408,627.78
2021	419,325.78
2022	430,826.13
2023	442,593.93
2024	263,818.27
	2,106,655.03

Recently Adopted Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-18 ("ASU 2016-18"), Statement of Cash Flows (Topic 230): Restricted Cash. ASU 2016-18 provides a clearer presentation of cash flows for the users of its financial statements. With the update, restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts reported on the statement of cash flows. The Company adopted the provisions of ASU 2016-18 on January 1, 2018.

Letter of credit

At December 31, 2018, the Company has a letter of credit in the favor of its office landlord. The letter of credit is in the amount of $400,000 and expires at the end of the lease term.

Note 3: Cash and Securities Segregated under Federal and Other Regulations

At June 30, 2019 cash segregated in special reserve accounts under the SEC Customer Protection Rule totaled $750,000 which is wholly for the exclusive benefit of customers.

Note 4. Net Capital Requirements

The Company, as a registered broker-dealer in securities, is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. The Company computes its net capital requirement under the alternative method provided for in Rule 15c3-1. Under the alternative method, the Company shall not permit its net capital to be less than the greater of $250,000 or 2 percent of aggregate debit items computed in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers, as defined. At June 30, 2019, the Company's net capital was $8,290,886, which exceeded the minimum net capital requirement of $250,000 by $8,040,886.

Note 5: Trading Activities and Related Risks

The Company's trading activities are comprised of providing securities clearing services to clients. Trading activities expose the Company to market and credit risks. These risks are managed in accordance with established risk management policies and procedures. The Company is not trading or settling penny stocks per SEC definition.

In normal course of business, the Company clears, settles and finances various customer transactions. Clearance of these transactions includes the purchase and sale of securities which exposes the Company to default risk arising from the potential that customers or counterparties may fail to satisfy their obligations (such as fail to receive). In these situations, the Company may be required to purchase or sell financial instruments at unfavorable market prices to satisfy obligations to customers or counterparties. Liabilities to other brokers and dealers related to unsettled transactions are recorded at an amount for which the securities were purchased, and are paid upon receipt of the securities from other brokers or dealers. In the case of aged securities fails to receive, the Company may purchase the underlying security in the market and seek reimbursement for any losses from counter parties.

The Company may be exposed to off-balance-sheet risk. In the normal course of business, the Company clears securities purchase and sales transactions on behalf of its clients. If another party of the transaction fails to fulfill its contractual obligation, the Company may incur a loss if the market value of the security is different from the contract amount of the transaction. The Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's or broker's obligations.

Note 6. Related Party Transactions

The Company entered into a technology service agreement with an affiliate of the Parent, Shanghai Manying Technology Co. Ltd. ("SMT") in June 2018. Under this agreement SMT agrees to develop, design, sell and provide additional services related to the software that the Company may use.

Note 7. Employee Benefit Plan

The Company provides a defined contribution 401(K) employee benefit plan ("the Plan") that covers substantially all employees. All employees are eligible to participate in the Plan based on meeting certain term of employment requirements.

Note 8. Guarantee

The Company is a member of exchanges and clearing houses. The Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the organization. In general, the Company's guarantee obligation would arise only if the organization had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the organization. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in Statement of Financial Condition for these agreements and believes that any potential requirement to make payments under these agreements.

Note 9. Significant Service Providers

The Company entered into a 4-year service agreement with FIS Phase 3 ("Phase 3"). The service agreement is effective January 2019 through December 2022. The agreement calls for the Company to pay a minimum fee of $3,132,500, plus professional services, pricing charges, and volume based fees.

Note 10. Subsequent Events

Management of the Company has evaluated events and transactions that may have occurred since June 30, 2019 and through July 31, 2019, the date the financial statements were available to be issued, and determined that there are no material events that would require disclosure in the Company's financial statement.