Robert W. Baird & Co. Incorporated

Unaudited Consolidated Statement of Financial Condition
As of June 30, 2019

Robert W. Baird & Co. Incorporated

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Unaudited Consolidated Statement of Financial Condition
As of June 30, 2019

(In Thousands)

Assets	
Cash and Cash Equivalents	$ 257,983
Cash Segregated Under Federal Regulations	90,000
Securities Purchased Under Agreements to Resell	2,390
Deposits with Clearing Organizations	44,435
Receivables:	
Clients	216,822
Brokers and Dealers	118,361
Deposits Paid on Securities Borrowed	203,720
Notes Receivable, Net	127,271
Other	123,124
	789,298
Securities Owned, at Fair Value (includes $508,128 pledged as collateral)	823,524
Furniture, Equipment, Leasehold Improvements and Finance Leases, Less Accumulated Depreciation and Amortization of $120,946	116,153
Operating Lease Assets	193,488
Goodwill	98,332
Intangible Assets, Less Accumulated Amortization of $17,255	16,478
Deferred Tax Assets, Net	3,222
Other Assets	36,669
Total Assets	$ 2,471,972

See accompanying notes to the unaudited consolidated statement of financial condition.

Robert W. Baird & Co. Incorporated

Unaudited Consolidated Statement of Financial Condition (Continued)
As of June 30, 2019

(In Thousands)

Liabilities and Stockholders' Equity	
Liabilities:	
Money Borrowed:	
Book Credit Balances in Bank Accounts	$ 16,392
Securities Sold Under Agreements to Repurchase	508,055
Payables:	
Clients	148,582
Brokers and Dealers	39,036
Deposits Received on Securities Loaned	76
	187,694
Securities Sold, Not Yet Purchased, at Fair Value	377,287
Accounts Payable, Accrued Expenses and Other Liabilities	268,979
Operating Lease Liabilities	207,161
Subordinated Liabilities	138,884
Total Liabilities	1,704,452
Stockholders' Equity:	
Common Stock; $1 stated par value; 72,450,000 shares authorized and 26,501,574 shares issued as of June 30, 2019. 26,454,488 shares outstanding as of June 30, 2019.	26,502
Additional Paid-In Capital	214,176
Retained Earnings	530,608
Treasury Stock, at Cost	(1,486)
Accumulated Other Comprehensive Loss	(2,280)
Total Stockholders' Equity	767,520
Total Liabilities and Stockholders' Equity	$ 2,471,972

See accompanying notes to the unaudited consolidated statement of financial condition.

Robert W. Baird & Co. Incorporated

Notes to Unaudited Consolidated Statement of Financial Condition
June 30, 2019

(In Thousands, Except Share and Per Share Amounts)

1. Organization and Description of Business

The Unaudited Consolidated Statement of Financial Condition includes Robert W. Baird & Co. Incorporated (RWB) and Baird Insurance Services, a wholly owned general insurance agency subsidiary. The Company is registered as a securities broker dealer and an investment adviser with the Securities and Exchange Commission (SEC) under the Securities and Exchange Act of 1934 and the Investment Advisers Act of 1940, and is also a member of the Financial Industry Regulatory Authority (FINRA) and various securities exchanges. The Company engages in a broad range of activities in the private wealth management, equity and fixed income capital markets, asset management and private equity businesses, including securities brokerage; investment advisory and asset management services; institutional equity and fixed income sales; research services; origination of and participation in underwritings and distribution of corporate and municipal securities issuances; municipal advisory services; merger and acquisition advisory services; private equity and venture capital investing; and market making and trading activities in equity, municipal and other fixed income securities. The Company is a wholly owned subsidiary of Baird Financial Corporation (BFC), which is a wholly owned subsidiary of Baird Holding Company (BHC), which is a wholly owned subsidiary of Baird Financial Group, Inc. (BFG or the Parent).

The Company owns a 48% interest in Baird UK Ltd. (Baird UK), located principally in London, England in which it applies the equity method of accounting. Baird UK is the parent company of Robert W. Baird Group Limited, located in London, which provides investment banking, private equity and institutional U.S. equity services. Robert W. Baird Group Limited conducts its business through three principal operating subsidiaries: Robert W. Baird Limited, based in London and regulated by the Financial Conduct Authority (FCA), which is engaged in transatlantic merger and acquisition advisory services and institutional U.S. equity sales; Robert W. Baird GmbH, based in Frankfurt, Germany which is engaged in transatlantic merger and acquisition advisory services; and Baird Capital Partners Europe Limited, based in London and regulated by the FCA, which is engaged in private equity activities in the United Kingdom (UK). The Company enters into revenue allocation agreements with Robert W. Baird Limited, Robert W. Baird GmbH and Baird Capital Partners Europe Limited as more fully discussed in footnote 3, *Related Party Transactions*.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed by the Company in the preparation of its Unaudited Consolidated Statement of Financial Condition.

(a) Estimates

The preparation of the Unaudited Consolidated Statement of Financial Condition in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 Unaudited Consolidated Statement of Financial Condition.

(b) Cash and Cash Equivalents

Cash Equivalents includes money market funds and short-term investments with maturities of generally three months or less at the time of purchase.

(c) Cash Segregated Under Federal Regulations

Cash Segregated Under Federal Regulations represents cash segregated in a special reserve bank account for the exclusive benefit of customers under SEC Rule 15c3-3.

(d) Securities Purchased Under Agreements to Resell and Securities Sold Under Agreements to Repurchase

The Company enters into short-term Securities Purchased Under Agreements to Resell (reverse repurchase agreements) and short-term Securities Sold Under Agreements to Repurchase (repurchase agreements). Both reverse repurchase and repurchase agreements are accounted for as collateralized financings and are recorded at contractual amounts. These agreements are short-term in nature and are generally collateralized by U.S. government securities, U.S. government agency securities, and municipal and corporate obligations. Interest receivable and interest payable are included within Receivables Other and Accounts Payable, Accrued Expenses and Other Liabilities, respectively, on the Unaudited Consolidated Statement of Financial Condition. Amounts are recorded when earned or due. It is the Company's policy to obtain collateral with a market value equal to or in excess of the principal amount loaned under the reverse repurchase agreements. To ensure the market value of the underlying collateral remains sufficient, the collateral is valued daily, and the Company may require counterparties to deposit additional collateral (or may return collateral to counterparties) when necessary. Reverse repurchase and repurchase agreements with the same counterparty are reported on a gross basis on the Unaudited Consolidated Statement of Financial Condition.

Refer to footnote 19, *Collateralized Transactions* for additional information on collateralized transactions.

(e) Receivables and Payables

The timing of revenue recognition may differ from the timing of payment by our clients. The Company records a receivable when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

Clients
Clients Receivables include amounts receivable on cash and margin transactions, including from officers and directors and certain other affiliates of the Company. Receivables from clients are generally collateralized by securities owned by the clients. Payables include amounts owed to clients on cash and margin transactions.

Brokers and Dealers Receivables and Payables
Brokers and Dealers Receivables and Payables include amounts receivable and payable to clearing organizations, and receivable and payable to other brokers and dealers for securities failed-to-deliver or-receive, trade date adjustment on trades not yet settled and trade date commissions on trades not yet settled.

Deposits Paid on Securities Borrowed and Deposits Received on Securities Loaned

Deposits Paid on Securities Borrowed and Deposits Received on Securities Loaned are reported as collateral financings and are recorded at the amount of cash collateral advanced or received, respectively. Securities borrowed transactions require the Company to deposit cash, letters of credit or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis. Additional collateral is obtained or returned as necessary. Securities borrowed or securities loaned transactions with the same counterparty are reported on a gross basis on the Unaudited Consolidated Statement of Financial Condition.

Refer to footnote 19, *Collateralized Transactions* for additional information on collateralized transactions.

Notes Receivable, Net

Notes Receivable, Net are loans or paid advances to associates primarily for recruiting purposes. These associate advances are generally forgiven over a three to nine year period. In determining the allowance for doubtful accounts related to those advances, management considers a number of factors including amounts due from associates, the number of terminated associates, as well as the Company's historical loss experience. The outstanding balance of loans to financial advisors is presented on the Unaudited Consolidated Statement of Financial Condition, net of the allowance for doubtful accounts. This involves the use of estimates and the actual amounts may be materially different than the recorded amounts.

Refer to footnote 3, *Related Party Transactions* for further information.

Other Receivables

Other Receivables includes receivables from affiliates, receivables from contracts with customers, interest on securities owned and tenant improvement allowances.

The timing of our revenue recognition may differ from the timing of payment by our clients. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied.

(f) Fair Value Measurements

The Company follows ASC Topic 820, *Fair Value Measurements (ASC Topic 820)*. ASC Topic 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. ASC Topic 820 prescribes the methodology of observable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in valuing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in valuing the asset or liability based on the best information available in the circumstances. The hierarchy, defined by ASC Topic 820, provides for the following three levels to be used to classify the Company's fair value measurements:

Level I - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level III - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

The fair value of securities owned is the amount at which the security could be exchanged in an orderly transaction between market participants at the measurement date. Based on the nature of the Company's business and its role as a dealer in the securities industry, the fair values of its securities are determined internally. When available, the Company values securities at observable market prices, observable market parameters, or broker or dealer prices (bid and ask prices). In the case of securities transacted on recognized exchanges, the observable market prices represent quotations for completed transactions from the exchange on which the securities are principally traded.

The Company's valuation of securities owned and securities sold, not yet purchased are based on observable market prices, observable market parameters, or derived from broker or dealer prices. The availability of observable market prices and pricing parameters can vary from product to product. Where available, observable market prices and pricing, or market parameters in a product may be used to derive a price without requiring significant judgment. In certain markets, observable market prices or market parameters are not available for all products, and fair value is determined using techniques appropriate for each particular product. These techniques involve some degree of judgment.

For investments in illiquid or privately held securities that do not have readily determinable fair values, the determination of fair value requires the Company to estimate the value of the securities using the best information available. Among the factors considered by the Company in determining the fair value of such securities are the cost, terms and liquidity of the investment, the financial condition and operating results of the issuer, the quoted market price of publicly traded securities with similar quality and yield, and other factors generally pertinent to the valuation of the investments. In addition, even where the Company derives the value of a security based on information from an independent source, certain assumptions may be required to determine the security's fair value.

Investments in corporate stocks are included within Other Securities within the fair value hierarchy table and are primarily publicly traded with observable prices in active markets. These investments are included within Level I in the fair value hierarchy. Any corporate stock not actively traded is valued by the Company and included within Level II or Level III depending on the nature and observability of the inputs used in the valuation.

Investments in U.S government and agency obligations, municipal obligations, private label mortgage backed securities, other asset backed securities, corporate obligations and auction rate securities, which include securities issued by municipalities and auction rate preferred securities issued by closed end mutual funds, are generally valued using quoted prices from external data providers and market participants and are generally included within Level II of the fair value hierarchy. Valuation information provided by external data providers and market participants generally includes a derived fair value utilizing a model where inputs to the model are directly observed by the market, or can be derived principally from or corroborated by observable market data, or fair value using other financial instruments, the parameters of which can be directly observed. For certain investments where there is limited activity or less transparency around significant inputs, the investments are valued as determined by the Company utilizing available market information and included within Level III of the fair value hierarchy.

The Company invests in certain private companies which are included within other securities within the fair value hierarchy table and are generally fair valued by management. In the absence of readily ascertainable market values, these investments may be valued using the market approach or the income approach, or a combination thereof. Under the market approach, fair value may be determined by reference to multiples of market-comparable companies or transactions, including earnings before interest, taxes, depreciation and amortization (EBITDA) multiples. Under the income approach fair value may be determined by discounting the cash flows to a single present amount using current market expectations about those future amounts. These valuation techniques require inputs that are both significant to the fair value and unobservable, and thus are included within Level III of the fair value hierarchy.

When the Company is not determined to be the primary beneficiary of a Variable Interest Entity (VIE), it does not consolidate the private equity partnership. In these cases, the Company's investment in the private equity partnership is recorded at the value of its capital balance or net asset value (NAV). The Company utilizes NAV to determine fair value when the partnership does not have a readily determinable fair value, the NAV of the partnership is calculated in a manner consistent with the measurement principles of investment company accounting, including measuring the underlying investments at fair value, and it is not probable that the Company will sell the investment at an amount other than NAV. The NAV is calculated based on the Company's proportionate share of the net assets of the partnership. Investments valued using NAV are not included within the fair value hierarchy. The Company's investments in unconsolidated private equity partnerships are included within Securities Owned, at Fair Value on the Unaudited Consolidated Statement of Financial Condition.

The Company employs specific control processes to determine the reasonableness of the fair value of its securities owned and securities sold, not yet purchased. The Company's processes are designed to ensure that the internally estimated fair values are accurately recorded and that the data inputs and the valuation techniques used are appropriate, consistently applied, and that the assumptions are reasonable and consistent with the objective of determining the fair value. Individuals outside of the trading departments perform independent pricing verification reviews. The Company has established parameters which set forth when securities are independently verified. The selection parameters are generally based on the type of security, the level of estimation of risk of a security, the materiality of the security, the age of the security in the Company's securities portfolio, and other specific facts and circumstances of the Company's securities portfolio.

Cash and Cash Equivalents, Cash Segregated Under Federal Regulations, Deposits with Clearing Organizations and Receivables are financial assets with carrying values that approximate fair value due to their relatively short-term nature. Money Borrowed, Payables, Accounts Payable, Accrued Expenses and Other Liabilities are financial liabilities with carrying values that approximate fair value due to their relatively short-term nature. Securities either purchased or sold under agreements to resell or repurchase are recorded at contractual amounts, plus accrued interest.

Refer to footnote 10, *Fair Value of Financial Instruments* for further information.

(g) Subordinated Liabilities

Subordinated Liabilities are comprised of notes payable to BFC and RWB associates in accordance with the Baird Financial Advisors Deferred Compensation Plan (FADCP).

Refer to footnote 15, *Compensation and Retirement Plans* for further information on the Baird FADCP.

(h) Income Taxes

Appropriate provisions are made in the Company's Unaudited Consolidated Statement of Financial Condition for deferred income taxes in recognition of these temporary differences.

Refer to footnote 13, *Income Taxes* for further information.

(i) Furniture, Equipment, Leasehold Improvements and Finance Leases

Furniture, Equipment, Leasehold Improvements and Finance Leases are recorded at cost less accumulated depreciation. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, which range from three years for software and computer equipment to ten years for certain leasehold improvements. Furniture, Equipment, Leasehold Improvements and Finance Leases are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be fully recoverable.

Refer to footnote 5, *Furniture, Equipment, Leasehold Improvements and Finance Leases* for more information on additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset.

(j) Leases

A lease is a contract, or part of a contract, that conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. In making this determination, the Company considers if it obtains substantially all of the economic benefits from the use of the underlying asset and directs how and for what purpose the asset is used during the term of the contract.

The Company leases its corporate headquarters and numerous other offices under various non-cancelable leases, all of which are operating leases. The original terms of the Company's lease agreements generally range from three to ten years. Some of the leases contain renewal and/or termination options, escalation clauses, rent-free holidays and operating cost adjustments. In addition to office leases, the Company enters into leases for computers, copiers and mailroom equipment on a recurring basis.

The Company recognizes a right-of-use (ROU) lease asset and lease liability on the Unaudited Consolidated Statement of Financial Condition for all leases with a term greater than twelve months. The lease liability represents the Company's obligation to make future lease payments and is recorded at an amount equal to the present value of the remaining minimum lease payments. The ROU lease asset, which represents the right to use of the underlying asset during the lease term, is measured based on the carrying value of the lease liability, adjusted for other items, such as lease incentives and uneven rent payments.

The Company will generally extend office leases if the lease situation is advantageous to the Company, however the Company generally does not make lease extensions for equipment leases. For office leases, the Company reviews office leases expiring within the next six months each quarter and determines the population of leases that could be extended given the unique set of circumstances surrounding each lease.

The discount rate used to determine the present value of the remaining lease payments reflects the Company's incremental borrowing rate, which is the rate the Company would have to pay to borrow on a collateralized basis over a similar term in a similar economic environment. In calculating its discount rates, the Company takes into consideration current financing arrangement on a secured (i.e., collateralized) basis, as well as market interest rates and spreads, other reference points, and the respective tenors of the Company's designated lease term ranges.

For leases that contain escalation clauses or rent-free holidays, the Company recognizes the related rent expense on a straight-line basis from the date the Company takes possession of the property to the end of the initial or extended lease term. The Company records any difference between the straight-line rent expense and amounts paid under the leases as part of the amortization of the ROU lease asset.

Refer to footnote 6, *Leases* for further information.

(k) Goodwill and Intangible Assets

The Company follows ASC Topic 350, *Intangibles – Goodwill and Other* (ASC Topic 350). ASC Topic 350 states that goodwill shall not be amortized. Instead goodwill shall be tested for impairment at a level of reporting referred to as a reporting unit. An intangible asset that is not subject to amortization shall be tested for impairment annually and more frequently if events or changes in circumstance indicate that it is more-likely-than-not the asset is impaired.

The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more-likely-than-not that the fair value of a reporting unit is less than the carrying amount. If the Company determines it is more-likely-than-not that the fair value of a reporting unit is greater than the carrying amount it would not be required to perform the two-step impairment test for that reporting unit. The Company has determined its reporting units to align with its five distinct business units: private wealth management, equity capital markets, fixed income capital markets, asset management and principal investments. As of June 30, 2019, the Company determined it was more-likely-than-not that the reporting units' fair value was greater than the carrying value as it relates to goodwill. Intangibles with finite lives are amortized on a straight-line basis over their respective useful lives and reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying value of an intangible asset may not be fully recoverable. The Company did not recognize any intangible impairment during the period ended June 30, 2019.

See footnote 7, *Goodwill and Intangible Assets* for further information.

(l) Foreign Currency Translation

Assets and liabilities of the Company's foreign investments are translated at the current exchange rate. Net exchange gains or losses resulting from the translation of foreign financial statements are credited or charged directly to Accumulated Other Comprehensive Loss, a separate component of Stockholders' Equity on the Unaudited Consolidated Statement of Financial Condition. These gains or losses are the only component of Accumulated Other Comprehensive Loss.

(m) Consolidation

The Unaudited Consolidated Statement of Financial Condition includes the accounts of those entities in which the Company has a controlling financial interest or is the primary beneficiary of a Variable Interest Entity (VIE). In determining which entities are required to be consolidated, the Company first evaluates whether each entity is a voting interest entity or VIE.

Voting interest entities are entities that have (i) total equity investment at risk sufficient to fund expected future operations independently, and (ii) equity holders that have the obligation to absorb losses or receive residual returns and the right to make decisions about the entity's activities. For private equity partnerships this generally exists when limited partners have substantive participation and/or kick-out rights. The Company consolidates voting interest entities when it has a controlling financial interest, which is generally ownership of a majority of the voting interest.

VIEs are entities that lack one or more of the characteristics of a voting interest entity. The Company consolidates VIEs when it is determined to be the primary beneficiary. The primary beneficiary is the entity that has the power to direct activities that most significantly impact the economic performance of the VIE, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining if the Company is the primary beneficiary of a VIE both qualitative and quantitative analysis are performed including, analysis of the VIE control structure, including rights of other interest holders, expected benefits and losses and residual returns, contractual terms, ownerships interests and design of the VIE.

All material intercompany accounts and transactions have been eliminated in consolidation.

See footnote 16, *Variable Interest Entities* for further information.

(n) Legal Commitments and Contingencies

The Company is occasionally involved in legal and regulatory proceedings, arbitrations, underwriting commitments, private equity capital commitments and various other contingent obligations.

The Company recognizes liabilities for contingencies when there is an exposure that, when analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Whether a loss is probable, and if so, the estimated range of possible loss is based on currently available information and is subject to significant judgment, a variety of assumptions, and uncertainties. When a range of possible loss can be estimated, the Company records the most likely amount within that range. If the most likely amount of possible loss within that range is not determinable, the Company accrues a minimum based on the range of possible loss. No liability is recognized for those matters which, in management's judgment, the determination of a reasonable estimate of loss is not possible.

The Company records liabilities related to legal proceedings in Accounts Payable, Accrued Expenses, and Other Liabilities on the Unaudited Consolidated Statement of Financial Condition. The determination of these liability amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to the amount of the claim, the amount of the loss in the client's account, the basis and validity of the claim, the possibility of wrongdoing by an associate, previous results in similar cases, and legal precedents and case law. Each legal proceeding is reviewed, and the liability balance is adjusted as deemed appropriate by management. Any change in the liability amount is recorded in the Unaudited Consolidated Statement of Financial Condition and is recognized as either a charge, or a credit, to net income in that period. The actual costs of resolving legal proceedings may be materially different than the recorded liability amounts for those matters.

Refer to footnote 18, *Legal Commitments and Contingencies* for further information.

(o) Upcoming Accounting Pronouncements

In June 2016, ASU 2016-13, *Financial Instruments – Credit Losses* was issued, which significantly changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard replaces the current "incurred loss" model for measuring credit losses with an "expected loss" model. The standard is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted beginning with annual periods beginning after December 15, 2018. The standard must be adopted as a cumulative-effect adjustment to Retained Earnings as of the beginning of the first reporting period in which the standard is effective. The Company is currently evaluating the impact of the new standard on its Unaudited Consolidated Statement of Financial Condition.

In August 2018, ASU 2018-15, *Intangibles – Goodwill and Other – Internal Use Software: Customers Accounting for Implementation Costs Incurred in Cloud Computing Arrangement That Is a Service Contract* was issued. The guidance amends the definition of a hosting arrangement and requires that the customer in a hosting arrangement that is a service contract, capitalize certain implementation costs as if the arrangement was an internal-use software project. The standard is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on its Unaudited Consolidated Statement of Financial Condition.

In August 2018, ASU 2018-13*, Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement* was issued. The objective of this guidance is to improve the effectiveness of disclosure requirements on fair value measurement by eliminating certain disclosure requirements for fair value measurements for all entities, requiring public entities to disclose certain new information and modifying some disclosure requirements. The standard is effective for annual and interim periods beginning after December 15, 2019. Early adoption is permitted. The Company is currently evaluating the impact of the new standard on its Unaudited Consolidated Statement of Financial Condition.

(p) Newly Effective Accounting Pronouncements

In February 2016, ASU 2016-02, *Right-Of-Use Asset and Lease Liability* was issued, which requires lessees to recognize leases on-balance sheet for all leases with the exception of short-term leases. ASU 2016-02 was subsequently amended by ASU 2018-01*, Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU 2018-11, *Targeted Improvements (ASC Topic 842)*. ASC Topic 842 establishes a ROU asset that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months.

The Company adopted ASC Topic 842 on January 1, 2019 using the effective date as the date of initial application and applied the package of practical expedients in transitioning to the new guidance. Electing the 'package of practical expedients,' permits the Company not to reassess under the new standard the prior conclusions regarding lease identification, lease classification and initial direct costs.

Upon adoption, the Company recognized additional ROU assets of $204,665, and corresponding operating liabilities of $217,744, based on the present value of the remaining minimum rental payments under current leasing standards for existing operating leases.

ASC Topic 842 also provides practical expedients for an entity's ongoing accounting. The Company elected the short-term lease recognition exemption for all leases that qualify. For those leases that qualify, the Company did not recognize ROU assets or lease liabilities, including not recognizing ROU assets or lease liabilities for existing short-term leases of those assets in transition.

3. Related Party Transactions

Pursuant to certain transfer pricing agreements in place, certain investment banking revenue is allocated between the Company and its Baird UK and German affiliates (Robert W. Baird GmbH). The Company reviews the terms of these agreements annually.

(In Thousands, Except Share and Per Share Amounts)

Pursuant to a fully disclosed clearing agreement in place, the Company provides trade execution and research services to its UK affiliate.

Baird Asia Limited, a wholly-owned subsidiary of BFC, provides investment banking and private equity services to RWB.

The Company serves as an investment advisor and provides administrative services to the Baird Funds, Inc. and various affiliated Baird private equity partnerships under management agreements (together, Affiliated Funds). Receivables from unconsolidated Affiliated Funds were $8,161 as of June 30, 2019, and are included within Receivables Other on the Unaudited Consolidated Statement of Financial Condition.

The Company has invested $20,304 into Affiliated Funds as of June 30, 2019, which is included within Securities Owned, at Fair Value on the Unaudited Consolidated Statement of Financial Condition. The Company has remaining commitments of $669 to invest into Affiliated Funds as of June 30, 2019.

Other amounts receivable from affiliates includes $80,698 as of June 30, 2019, which is included within Receivables Other on the Unaudited Consolidated Statement of Financial Condition. Amounts receivable from affiliates are primarily related to receivables from BFC related to stock transactions, including stock purchases, redemptions and dividends which RWB processes on behalf of the ultimate parent company, BFG.

Other amounts payable to affiliates relating to certain transfer pricing agreements includes $2,448 as of June 30, 2019, which is included within Accounts Payable, Accrued Expenses and Other Liabilities on the Unaudited Consolidated Statement of Financial Condition.

Amounts receivable from associates, including the related allowance for doubtful accounts as of June 30, 2019 consist of the following:

Notes Receivable	$ 133,968
Allowance for Doubtful Accounts	(6,697)
Notes Receivable, Net	$ 127,271

4. Receivables and Payables

Amounts receivable from and payable to brokers and dealers and clearing organizations as of June 30, 2019 consist of the following:

Securities Failed-to-Deliver	$ 18,703
Receivable for Net Unsettled Inventory Sales	94,938
Commissions Receivable	4,720
Receivables from Brokers and Dealers	$ 118,361

Amounts payable to brokers and dealers as of June 30, 2019 consists of securities failed-to-receive of $39,036.

Securities failed-to-receive and-deliver represent the contract values of securities that have not been received or delivered on settlement date, respectively.

(In Thousands, Except Share and Per Share Amounts)

5. Furniture, Equipment, Leasehold Improvements and Finance Leases

Furniture, Equipment, Leasehold Improvements, and Finance Leases as of June 30, 2019 consist of the following:

Furniture and Fixtures	$ 55,134
Equipment	44,688
Software	21,061
Leasehold Improvements	113,224
Finance Leases	2,992
Total Fixed Assets	237,099
Less:	
Accumulated Depreciation	(120,057)
Accumulated Amortization	(889)
Total Accumulated	(120,946)
Furniture, Equipment, Leasehold Improvements and Finance Leases, Net	$ 116,153

6. Leases

The Company occupies office space and equipment leases under cancelable and non-cancelable operating lease arrangements. These lease arrangements include escalating clauses which are recognized on a straight-line basis over the life of the lease. Finance leases consist of computers, servers and other computer related items and are included within Accounts Payable, Accrued Expenses and Other Liabilities on the Unaudited Consolidated Statement of Financial Condition. Future minimum lease payments are as follows:

	Finance	Operating	Total
Remainder of 2019	$ 391	$ 17,388	$ 17,779
2020	760	33,102	33,862
2021	530	28,842	29,372
2022	359	27,262	27,621
2023	76	23,291	23,367
Thereafter	-	112,755	112,755
Total Undiscounted Lease Payments	2,115	242,640	244,755
Less Interest	(95)	(35,479)	(35,574)
Total Lease Liabilities	$ 2,020	$ 207,161	$ 209,181

The weighted-average remaining lease term for operating leases was 9.34 years as of June 30, 2019 and the weighted average discount rate was 3.34%. The weighted-average remaining lease term for finance leases was 2.94 years as of June 30, 2019 and the weighted average discount rate was 2.81%.

(In Thousands, Except Share and Per Share Amounts)

7. Goodwill and Intangible Assets

The following table provides a rollforward of the Company's intangible assets by type:

	Useful Life	January 1, 2019	Additions	Accumulated Amortization	June 30, 2019
Goodwill	N/A	$ 98,332	$ -	$ -	$ 98,332
Finite Life Intangibles					
Client lists	5-20 Years	23,186	-	(16,088)	7,098
Leasehold Improvements	6 Years	308	-	(253)	55
Indefinite Life Intangibles					
Trade Names	N/A	9,325	-	-	9,325
Intangible Assets		$ 32,819	$ -	$ (16,341)	$ 16,478

8. Money Borrowed

(a) Bank Loans

As of June 30, 2019, the Company had available a $350,000 committed line of credit in which the lenders are represented by a number of financial institutions. The line of credit has a one-year term maturing on September 27, 2019. The Company intends to renew the line of credit for an additional one-year term prior to the maturity date. The interest rate on the line of credit is variable based on one-month LIBOR plus a spread of 1.50%. One-month LIBOR as of June 30, 2019 was 2.40%. As of June 30, 2019, there were no amounts outstanding on the available line of credit.

(b) Book Credit Balances in Bank Accounts

The Company has $16,392 as of June 30, 2019, in net credit balances at certain banks with which it does business.

9. Revenues from Contracts with Customers

Information on Remaining Performance Obligations and Revenue Recognized from Past Performance:

The Company does not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The contract price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material at June 30, 2019. Investment banking advisory fees that are contingent upon completion of a specific milestone and fees associated with certain distribution services are also excluded as the fees are considered variable and not included in the contract price at June 30, 2019.

Amounts receivable related to revenues from contracts with customers as of June 30, 2019 were $74,726 and are included in Receivables, Other on the Unaudited Consolidated Statement of Financial Condition. The Company has separately evaluated the risk of uncollectability and has determined no allowance was required as of June 30, 2019.

Contract Costs: The Company capitalizes costs to fulfill contracts associated with investment banking and fixed income advisory and underwriting engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized as expense at the point in time that the related revenue is recognized. The Company also has capitalized costs to fulfill contracts associated with management fees received from private equity partnerships which is recognized over the life of the partnership and the costs are determined to be recoverable.

Amounts capitalized related to revenues from contracts with customers as of June 30, 2019 were $5,589 and are included in Receivables, Other on the Unaudited Consolidated Statement of Financial Condition. The Company has separately evaluated the risk of uncollectability and has determined no allowance was required as of June 30, 2019.

(In Thousands, Except Share and Per Share Amounts)

10. Fair Value of Financial Instruments

The following table summarizes the fair value of financial instruments as of June 30, 2019:

	Level I	Level II	Level III	Total
Cash Equivalents				
Money Market Funds	$ 220,000	$ -	$ -	$ 220,000
Securities Owned				
U.S. Government and Agency Obligations	-	385,523	-	385,523
Municipal Obligations	-	233,362	-	233,362
Certificates of Deposit	-	2,641	-	2,641
Private Label Mortgage Backed Securities	-	14,338	-	14,338
Other Asset Backed Securities	-	47,527	-	47,527
Corporate Obligations	-	42,558	-	42,558
Mutual Funds	80,674	-	-	80,674
Other Securities(1)	3,359	-	12,422	15,781
Investments Measured at NAV (2)	-	-	-	1,120
Total Securities Owned	$ 84,033	$ 725,949	$ 12,422	$ 823,524
Securities Sold, Not Yet Purchased				
Certificates of Deposit	$ -	$ 8,358	$ -	$ 8,358
U.S. Government and Agency Obligations	-	351,584	-	351,584
Corporate Obligations	-	17,137	-	17,137
Other Securities(1)	208	-	-	208
Total Securities Sold, Not Yet Purchased	$ 208	$ 377,079	$ -	$ 377,287

(1) Other Securities in Level I consist primarily of corporate stocks. Other Securities in Level III consist of the Company's membership investment in DTCC and certain other private companies.

(2) In accordance with ASU 2015-07, *Disclosures for Investment in Certain Entities that Calculate Net Asset Value per Share,* which eliminated the requirement to categorize in the fair value hierarchy investments measured using the NAV practical expedient. As such, the Company has removed those investments that are valued using the NAV practical expedient from the fair value hierarchy table and included them as reconciling items to Securities Owned on the Unaudited Consolidated Statement of Financial Condition.

(In Thousands, Except Share and Per Share Amounts)

The following table summarizes the change in fair values of Level III assets during 2019:

	Auction Rate Securities	Other Securities	Total
Balance, January 1, 2019	$ 75	$ 10,834	$ 10,909
Purchases	-	154	154
Sales/Pay-downs	-	(154)	(154)
Unrealized Gains/(Losses)	(75)	1,588	1,513
Balance, June 30, 2019	$ -	$ 12,422	$ 12,422
Change in Unrealized Gain/(Loss) on Securities Still Held as of June 30, 2019	$ -	$ 1,588	

The following tables summarize quantitative information related to the significant unobservable inputs utilized in the fair value measurements of the Level III assets as of June 30, 2019, which are included in Securities Owned, at Fair Value on the Unaudited Consolidated Statement of Financial Condition:

	Fair Value	Valuation Technique	Unobservable Input(s)	Range (Weighted Average)
Other Securities	$ 12,422	Market comparable companies	EBITDA multiple	7.0

For Other Securities where the market comparable companies' approach is used, a significant increase or decrease in the EBITDA, revenue or net income multiples in isolation could result in a materially different fair value measurement, respectively. Included within Other Securities is also the Company's membership investment in DTCC, which is valued by data provided by DTCC.

11. Net Capital Requirements

The Company is subject to the requirements of Rule 15c3-1 (net capital rule) under the Securities Exchange Act of 1934. The basic concept of the net capital rule is liquidity, its objective being to require a broker and dealer to maintain adequate net capital, as defined. The Company has elected to operate under the alternative net capital requirement as allowed by the net capital rule, which requires that net capital exceed 2% of aggregate debit items as those terms are defined. Withdrawal of equity capital may be restricted if net capital is less than 5% of such aggregate debit items.

As of June 30, 2019, the Company's net capital percentage was 123% of aggregate debit items; and net capital, as defined, was $263,876, which was $259,602 in excess of the required minimum amount. As of June 30, 2019, net capital after anticipated withdrawals as a percentage of aggregate debit items was 113%.

(In Thousands, Except Share and Per Share Amounts)

12. Subordinated Liabilities

As of June 30, 2019, the Company had $138,884 of subordinated notes, including $57,000 payable to BFC and $81,884 payable to associates, all of which are covered by agreements approved by FINRA that are available in computing adjusted net capital under the net capital rule as of June 30, 2019.

The following schedule discloses the major components of subordinated debt including repayment terms as of June 30, 2019:

Subordinated Note, variable interest rate (7.5%, plus 3 month LIBOR), due August 2020. Quarterly principal payments began in February 2018.	$	27,000
Subordinated Note, variable interest rate (5.0%, plus 1 month LIBOR), due August 2021. Quarterly principal payments begin in August 2020.		30,000
		57,000
Payable to Associates		81,884
	$	138,884

Subordinated Liabilities mature as follows as of June 30, 2019:

2019	$	22,711
2020		35,399
2021		27,994
2022		11,354
2023		11,377
Thereafter		30,049
	$	138,884

To the extent that such notes are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid. As of June 30, 2019, the Company had sufficient capital that such restrictions did not apply. The right of the note holders to receive any payment from the Company under the terms of the notes is subordinated to the claims of all present and future creditors of the Company that arise prior to maturity and is dependent on approval by FINRA.

(In Thousands, Except Share and Per Share Amounts)

13. Income Taxes

(a) Deferred Income Tax

The major deferred tax items as of June 30, 2019 are as follows:

Deferred Tax Assets:	
Deferred Compensation Plans	$ 22,000
Accrued Expenses and Reserves	26,280
Net Operating Loss	345
Other	1,336
	49,961
Deferred Tax Liabilities:	
Goodwill and Intangibles	3,159
Depreciation and Fixed Asset Gain (Loss)	11,588
Section 481(a) Adjustment	30,614
Investments	598
Other	780
	46,739
Deferred Tax Assets, Net	$ 3,222

No valuation allowance is required as management believes it is more-likely-than-not that the deferred tax assets are realizable.

(b) Uncertain Tax Positions

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company is included in the consolidated income tax returns of BFG in the U.S. Federal jurisdiction and various consolidated states. The Company also files separate income tax returns in various states and local jurisdictions. The federal income tax returns for the years prior to 2015 and the state and local tax returns for the years prior to 2014 are no longer subject to examination by income tax authorities, unless subsequently amended.

The Company's unrecognized tax benefits are analyzed and monitored to ensure they are adequate and reflective of known events. The Company believes that it is reasonably possible that a portion of the balance of the gross unrecognized tax benefits could decrease in the next six months due to ongoing activities with various taxing jurisdictions that the Company expects may give rise to settlements or the expiration of statute of limitations. The Company continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law, and new authoritative rulings. The Company classifies interest and penalties, if any, related to unrecognized tax benefits as a component of tax expense.

14. Stockholders' Equity

As of June 30, 2019, the Company had 26,454,488 shares of Common Stock and 47,086 shares of Common Treasury Stock outstanding. There were no share transactions in the Company's Common Stock or Common Treasury Stock during the six months ended June 30, 2019.

The Company has authorized 72,450,000 shares of $1 stated value common stock. The Company has also authorized 1,000 shares of no par value, cumulative, nonvoting preferred stock. No shares of preferred stock were issued or outstanding as of June 30, 2019. The shares of the Company are subject to strict transfer restrictions.

On each of January 8, 2019, February 12, 2019, March 27, 2019 and May 29, 2019, the Company declared dividends totaling $80,000 ($3.024 per share of common stock) to BFC. The dividends were paid on January 9, 2019, February 13, 2019, March 29, 2019 and May 31, 2019, respectively, and are included in Retained Earnings on the Unaudited Consolidated Statement of Financial Condition.

15. Compensation and Retirement Plans

(a) The Baird Profit Sharing and Savings Plan

Substantially all associates of the Company are eligible to participate in the Robert W. Baird & Co. Incorporated Profit Sharing and 401(k) Savings Plan. The 401(k) Savings Plan complies with Section 401(k) of the Internal Revenue Code. Effective in 2019, the Company matches 100% of the first three thousand dollars contributed by each eligible participant annually.

(b) Non-Qualified Compensation

The Company has three non-qualified compensation plans, entitled the Baird Capital Participation Plan (BCPP), the Baird FADCP and the Baird Long Term Incentive Plan (LTIP). The BCPP no longer grants awards and all balances in the BCPP are fully vested. For services performed, the FADCP and LTIP grant awards to certain associates. The awards, which vest after seven years, are expensed at the date of grant as no future services are required, subject to continued employment. The balance payable to associates under the above plans was $110,439 as of June 30, 2019 and is included in Accounts Payable, Accrued Expenses and Other Liabilities and Subordinated Liabilities on the Unaudited Consolidated Statement of Financial Condition, of which approximately $3,036 is vested as of June 30, 2019.

Associates have the ability to allocate their awards in the above plans among several investment options, including certain Affiliated Funds. The Company elects to invest directly as a principal in investments, which are directly related to the Company's obligations under the respective deferred compensation plan and are included in Securities Owned, at Fair Value on the Unaudited Consolidated Statement of Financial Condition.

The Company has established an allowance to reserve for forfeitures of awards in the FADCP and LTIP plans of $2,311 as of June 30, 2019, and is included within Accounts Payable, Accrued Expenses and Other Liabilities on the Unaudited Consolidated Statement of Financial Condition. In determining the allowance, management considers the Company's historical forfeiture experience which involves the use of estimates. The actual amounts may be materially different than the recorded amounts.

Certain BCPP participants own restricted stock units (RSUs). The RSUs are fully vested in accordance with the terms of the BCPP and are ultimately convertible into BFG common stock. BCPP participants owning RSUs are entitled to cumulative distributions and dividends issued by BFG on its common stock. The RSUs become payable in full upon a change in control, as defined in the plan.

16. Variable Interest Entities

The Company, along with third party investors, make investments in private equity funds. These investment funds are typically organized as limited partnerships where the Company is the general partner. The Company's economic interest is generally limited to management fee arrangements as stipulated by the fund operating agreement and the Company's investment in the private equity funds.

Certain Baird private equity partnerships are not consolidated pursuant to the accounting rules disclosed in the consolidation section of footnote 2, *Summary of Significant Accounting Policies*. The Company's investment in unconsolidated partnerships was $1,120 as of June 30, 2019, which is included within Securities Owned, at Fair Value on the Unaudited Consolidated Statement of Financial Condition. Net assets of the partnerships not consolidated were $186,866 as of June 30, 2019. These partnerships were determined not to consolidate as the general partner (an affiliate) was not the primary beneficiary. The Company's economic interest in these partnerships range from 0.2% to 1% as of June 30, 2019. In addition to the Company's economic interest, the Company also has management fee arrangements from the investment advisory services it provides to VIEs. The Company's maximum exposure to loss represents the Company's interest in unconsolidated partnerships and amounts due on open commitments in Baird private equity partnerships.

Refer to footnote 3, *Related Party Transactions* for further detail.

The Company has a controlling interest in limited liability companies that serve as general partners in various partnerships. The Company has committed a total of $3,067 in amounts generally ranging up to $794 to twelve different private equity partnerships. As of June 30, 2019, the Company has invested $2,398 of committed amounts.

17. Baird UK

The Company reports the results of its investment in Baird UK using the equity method of accounting. As of June 30, 2019, the Company's investment in Baird UK was $18,692 and is included in Other Assets on the Unaudited Consolidated Statement of Financial Condition.

18. Legal Commitments and Contingencies

The Company is involved in legal actions from time to time that are incidental to its securities business, including without limitation, client complaints and arbitrations, employment related disputes, regulatory investigations and proceedings, securities class action claims arising from underwriting activity, and claims brought against the Company in connection with its recruitment of associates from other firms. The Company has established reserves against such contingencies. Based on its understanding of the facts and the advice of legal counsel, management believes that resolution of these various actions will not result, after taking into account the reserves, in any material adverse effect on the financial condition of the Company. As of June 30, 2019, the estimated aggregate range of possible loss related to these matters is from $0 to $7,600 in excess of the accrued reserve.

In the normal course of business, the Company enters into underwriting commitments. Transactions relating to underwriting commitments that were open as of June 30, 2019 were not material.

The Company is a member of numerous exchanges and clearinghouses. Clearing deposits are included within Deposits with Clearing Organizations on the Unaudited Consolidated Statement of Financial Condition. Under the membership agreements, members are generally required to guarantee performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under these arrangements is remote. Accordingly, no contingent liability is recorded on the Unaudited Consolidated Statement of Financial Condition for these arrangements.

19. Collateralized Transactions

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions in order to, among other things, acquire securities to cover short positions, accommodate clients' needs, earn residual interest spreads and finance the Company's inventory positions. Under these transactions, the Company either receives or provides collateral, including securities. The Company receives collateral in connection with reverse repurchase agreements and securities borrowed transactions, and pledges collateral, including cash and securities, to collateralize repurchase agreements and enter into securities lending transactions. Under many agreements, the Company is permitted to repledge securities held as collateral. As of June 30, 2019, the fair value of securities accepted as collateral was $204,459, of which, $0 was repledged to other counterparties as of June 30, 2019.

All reverse repurchase agreements and repurchase agreements are transacted under legally enforceable master repurchase agreements and substantially all securities borrowed and securities lending transactions are transacted under legally enforceable master securities lending agreements. In the event of default by a counterparty, these agreements give the Company the right to liquidate securities held as collateral and to offset receivables and payables with the defaulting counterparty.

(In Thousands, Except Share and Per Share Amounts)

The table below reconciles the gross amounts of assets and liabilities on these transactions on the Unaudited Consolidated Statement of Financial Condition to the net exposure to the Company, considering all effects of legally enforceable master netting agreements as of June 30, 2019:

	Gross Amounts[1]	Amounts Offset on the Consolidated Statement of Financial Condition	Net Amounts Presented on the Consolidated Statement of Financial Condition[1]	Amounts Not Offset on the Consolidated Statement of Financial Condition: Financial Instruments[2]	Amounts Not Offset on the Consolidated Statement of Financial Condition: Collateral Received/ Pledged[3]	Net Amounts
Assets:						
Securities Purchased Under Agreements to Resell	$ 2,390	$ -	$ 2,390	$ -	$ (2,390)	$ -
Deposits Paid on Securities Borrowed	203,720	-	203,720	-	(202,069)	1,651
Liabilities:						
Securities Sold Under Agreements to Repurchase	$ 508,055	$ -	$ 508,055	$ -	$ (508,055)	$ 0
Deposits Received on Securities Loaned	76	-	76	-	(73)	3

(1) Amounts include all financial instruments, regardless of whether there is a legally enforceable master netting agreement in place. The Company reports gross assets and liabilities on the Unaudited Consolidated Statement of Financial Condition.
(2) Amounts relate to master netting arrangements which have been determined by the Company to be legally enforceable in the event of default.
(3) Collateral received on Securities Purchased Under Agreements to Resell and Deposits Paid on Securities Borrowed, includes securities received from the counterparty. These securities are not included on the Unaudited Consolidated Statement of Financial Condition, unless there is an event of default. Collateral pledged on Securities Sold Under Agreements to Repurchase and Deposits Received on Securities Loaned, includes the fair value of securities pledged to the counterparty. These securities are included on the Unaudited Consolidated Statement of Financial Condition, unless there is an event of default.

(In Thousands, Except Share and Per Share Amounts)

The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions disaggregated by type of collateral, accounted for as secured borrowings as of June 30, 2019:

	Remaining Contractual Maturity		
	Overnight & Continuous	Up to 30 Days	Total
Securities Sold Under Agreements to Repurchase			
U.S. Government and Agency Obligations	$ 12,215	$ 386,807	$ 399,022
Municipal Obligations	8,233	45,360	53,593
Corporate Obligations	41,035	14,405	55,440
Total Securities Sold Under Agreements to Repurchase	$ 61,483	$ 446,572	$ 508,055
Deposits Received on Securities Loaned			
Equity Securities	$ 76,000	$ -	$ 76,000

Repurchase agreements and securities lending activities are entered into and conducted as components of the financing of certain operating activities. In the event the market value of the securities pledges as collateral declines, additional collateral may need to be posted or borrowing amounts may need to be reduced.

20. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company's client securities activities involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk in the event the client or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the client to deposit additional collateral or to reduce security positions when necessary. Such collateral is not reflected on the Unaudited Consolidated Statement of Financial Condition.

The Company enters into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments include To Be Announced (TBA) mortgage backed securities, as well as securities purchased and sold on a when-issued basis (when-issued securities). These financial instruments are used to meet the needs of clients, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk.

TBAs and when-issued securities provide for the delayed delivery of the underlying instrument. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The gain or loss on these transactions is recognized on a trade date basis. The credit risk for TBAs, options, and when-issued securities is limited to the unrealized fair valuation gains and losses recorded on the Unaudited Consolidated Statement of Financial Condition. The Company's exposure to market risk is determined by a number of factors, including but not limited to the size, composition and diversification of positions held, the absolute and relative levels of interest rates, and market volatility.

In addition, the Company has sold securities that it does not currently own (securities sold, not yet purchased) and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations on the Unaudited Consolidated Statement of Financial Condition as of June 30, 2019, at fair values of the related securities and will incur a loss if the fair value of the securities increases.

The Company's client securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its clients, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the clients' accounts. In connection with these activities, the Company executes and clears client transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. Such transactions may expose the Company to significant off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that clients may incur. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the client's obligations. The Company seeks to control the risks associated with its client activities by requiring clients to maintain margin collateral in compliance with various regulatory and internal guidelines. The Company monitors required margin levels daily, and pursuant to such guidelines, requires the clients to deposit additional collateral or to reduce positions when necessary.

In conjunction with certain borrowing transactions, the Company's client financing and securities settlement activities require the Company to pledge certain securities. In the event the counterparty is unable to meet its contractual obligation to return 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 obligations. The Company controls this risk by monitoring the fair value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes monitoring limits for such activities and monitors them on a daily basis.

The Company may use financial futures and options to manage market risk related to trading securities. In particular, these instruments may be used as hedges against long or short inventory positions to mitigate security price risk. The Company did not have open futures or options positions as of June 30, 2019.

21. Federal Deposit Insurance Corporation

The Company has certain cash deposit accounts with financial institutions in which the balances occasionally exceed the Federal Deposit Insurance Corporation (FDIC) insured limit. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant risk.

22. Subsequent Events

The Company evaluated its June 30, 2019 Unaudited Consolidated Statement of Financial Condition for subsequent events through August 22, 2019, the date that the Unaudited Consolidated Statement of Financial Condition were available to be issued. The Company is not aware of any subsequent events which would require recognition or disclosure in the Unaudited Consolidated Statement of Financial Condition.