

## **MANAGEMENT STATEMENT**

The accompanying unaudited Statement of Financial Condition of Fifth Third Securities, Inc., a wholly-owned subsidiary of Fifth Third Bank, National Association, as of June 30, 2024, is being provided pursuant to Rule 17a-5(c) of the Securities Exchange Act of 1934. This unaudited Statement of Financial Condition has been prepared in conformity with accounting principles generally accepted in the United States of America.

The audited Statement of Financial Condition, as of December 31, 2023, is available for examination at the principal offices of Fifth Third Securities, Inc., and at the regional office of the Securities and Exchange Commission at their respective addresses listed below.

Fifth Third Securities, Inc.  
34 Fountain Square Plaza  
Cincinnati, Ohio 45202

United States Securities and Exchange Commission  
175 W. Jackson Blvd., Suite 1450  
Chicago, Illinois 60604

**Robert Corsarie**  
**Senior Vice President & Head of Retail Brokerage**  
**Fifth Third Securities, Inc.**

**Robert Marcus**  
**Executive Vice President & Managing Director of Capital Markets**  
**Fifth Third Securities, Inc.**

## FIFTH THIRD SECURITIES, INC.

(A Wholly-Owned Subsidiary of Fifth Third Bank, National Association)

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)

AS OF JUNE 30, 2024

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### ASSETS:

Cash and cash equivalents	\$ 54,323,258
Receivables from clearing broker-dealer, net	259,122,808
Receivables from affiliated companies, net	3,616,295
Other receivables	52,562,343
Securities owned, at fair value	739,914,256
Property and equipment, net	465,405
Goodwill	66,414,847
Intangible assets	12,840
Deferred income taxes, net	4,068,591
Other assets	<u>5,702,136</u>

**Total Assets** \$ 1,186,202,779

### LIABILITIES:

Accounts payable	\$ 7,924
Payables to Parent Company, net	1,448,786
Income tax payable to Parent Company or affiliated companies	2,397,006
Securities sold, not yet purchased, at fair value	234,379,193
Accrued employee compensation and benefits	25,511,058
Other liabilities	<u>15,626,881</u>
<b>Total Liabilities</b>	<u>\$ 279,370,848</u>

### SHAREHOLDER'S EQUITY:

Capital stock, \$100 par value-authorized-17,375 shares, issued and outstanding-7,619 shares	\$ 761,900
Additional paid-in capital	431,906,932
Retained earnings	<u>474,163,099</u>
<b>Total Shareholder's Equity</b>	<u>\$ 906,831,931</u>

**Total Liabilities and Shareholder's Equity** \$ 1,186,202,779

Refer to the Notes to Financial Statement.

# **FIFTH THIRD SECURITIES, INC.**

**(A Wholly-Owned Subsidiary of Fifth Third Bank, National Association)**

## **NOTES TO FINANCIAL STATEMENT (UNAUDITED)**

**AS OF JUNE 30, 2024**

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### **1. ORGANIZATION AND NATURE OF BUSINESS**

Fifth Third Securities, Inc. (the “Corporation”) is a broker-dealer and Registered Investment Advisor, registered with the U.S. Securities & Exchange Commission (the “SEC”). The Corporation is a member of the Financial Industry Regulatory Authority (the “FINRA”). The Corporation is a wholly-owned subsidiary of Fifth Third Bank, National Association (the “Parent Company”). The Parent Company is an indirect wholly-owned subsidiary of Fifth Third Bancorp (the “Bancorp”). The Corporation may enter into transactions with other subsidiaries of the Parent Company (the “affiliated companies”) in the normal course of business.

On April 1, 2024, the Corporation acquired Hammond Hanlon Camp LLC (“HHC”) and its subsidiary H2C Securities, Inc. (“H2C”) and subsequently merged these companies into the Corporation, leaving the Corporation as the surviving entity. The Corporation and HHC were both commonly controlled by the Parent Company prior to the transaction and therefore it was accounted for as a common-control transaction using the pooling of interest method. HHC and H2C primarily provided specialty mergers and acquisition and other financial advisory services for its customers, with a focus on healthcare service companies. The Corporation expects to gain operational and cost efficiencies as part of the transaction due to similar services it provides to its customers.

In its capacity as a broker-dealer, the Corporation executes principal transactions and agency transactions, and performs underwriting and investment banking services. The Corporation conducts business with other broker-dealers that are located throughout the United States on behalf of its customers and for its own proprietary accounts. The Corporation’s customers are primarily located throughout the Midwestern and Southeastern United States. The Corporation clears all transactions on a fully-disclosed basis through a clearing broker-dealer. For customer accounts carried by the clearing broker-dealer, the clearing broker-dealer maintains and preserves all related books and records customarily kept by a clearing broker-dealer.

The Corporation operates in a highly regulated industry. Applicable laws and regulations restrict permissible activities and investments. These policies require compliance with various financial and customer-related regulations. The consequences of noncompliance can include substantial monetary and non-monetary sanctions. In addition, the Corporation is also subject to comprehensive examinations and supervision by various governmental and self-regulatory agencies. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. Furthermore, where the agencies determine that such operations are unsafe or unsound, fail to comply with applicable laws or are otherwise inconsistent with the laws and regulations or with the supervisory policies, greater restrictions may be imposed.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting** — The financial statement includes the accounts of the Corporation, which is engaged in a single line of business as a securities broker-dealer comprised of several classes of services, including both principal and agency transactions, and underwriting and investment banking services. The accompanying financial statement is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Use of Estimates** — The preparation of the financial statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statement and accompanying notes. Actual results could differ from those estimates.

**Income Taxes** — The Corporation is included in the consolidated federal income tax return filed by the Bancorp. As described in the tax sharing agreement between the Corporation and the Bancorp, federal income taxes are calculated as if the Corporation filed on a separate return basis and the amount of current tax or benefit calculated is either remitted to or received from the Bancorp. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statement, utilizing currently enacted tax laws and rates.

**Contractual Balances** - The Company had contractual assets of \$19,057,650 and contractual liabilities of \$1,304,638 as of January 1, 2024 and contractual assets of \$31,033,177 and contractual liabilities of \$1,442,287 as of June 30, 2024. These assets and liabilities relate to investment advisory, merger and acquisition, and other fee revenue and are recorded in other receivables and other liabilities, respectively, in the Statement of Financial Condition.

**Receivables from Clearing Broker-Dealer, Net** — Receivables from and payables to the clearing broker-dealer are recorded net and arise through the normal course of business pursuant to the clearing agreement between the Corporation and the clearing broker-dealer. Transactions are recorded at face value and no loss reserve is maintained due to negligible historical losses.

**Goodwill** — Goodwill is required to be tested for impairment at the reporting unit level on an annual basis, which for the Corporation is September 30, and more frequently if events or circumstances indicate that there may be impairment. Impairment exists when a reporting unit's carrying amount of goodwill exceeds its implied fair value. The Corporation has determined that it is an entity-level reporting unit under U.S. GAAP. In testing goodwill for impairment, U.S. GAAP permits the Corporation to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. In this qualitative assessment, the Corporation evaluates events and circumstances which may include, but are not limited to, the general economic environment, market conditions, the overall financial performance of the Corporation, the key financial performance metrics of the Corporation and events affecting the Corporation to determine if it is more likely than not that the fair value of the Corporation is less than its carrying amount. If the quantitative impairment test is required or the decision to bypass the qualitative assessment is elected, the Corporation performs the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. A recognized impairment loss cannot be reversed in future periods even if the fair value of the reporting unit subsequently recovers.

**Property and Equipment** — Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is recorded using the straight-line method over estimated useful lives of two to thirty years.

**Securities Owned, at Fair Value and Securities Sold, Not Yet Purchased, at Fair Value** — Securities are classified as trading when bought and held principally for the purpose of selling them in the near term. The fair value of a security is determined based on quoted market prices. If quoted market prices are not available, fair value is determined based on quoted prices of similar instruments or discounted cash flow models that incorporate market inputs and assumptions including discount rates, prepayment speeds and loss rates. Securities sold, not yet purchased represent an obligation of the Corporation to deliver specified securities at a predetermined date and price. The Corporation is obligated to acquire the specified securities at prevailing market prices in the future to satisfy such obligations.

**Subsequent Events** — The Corporation has evaluated subsequent events through the issuance date for the Financial Statement to determine if either recognition or disclosure of significant events or transactions is required.

#### **Accounting and Reporting Developments — Standards Issued but Not Yet Adopted in 2024**

*Accounting Standards Update ("ASU") 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

In December 2023, the FASB issued ASU 2023-09, which amends the disclosure requirements for income taxes. The amendments primarily include new requirements to disclose additional information as part of the reconciliation of the effective tax rate to statutory tax rates, provide the amount of income taxes paid, net of refunds received, and income tax expense disaggregated between federal, state and foreign jurisdictions and provide income before income taxes disaggregated between domestic and foreign jurisdictions. The amendments also discontinue certain other disclosure requirements. The amended guidance is effective for the Corporation on January 1, 2025, with early adoption permitted, and is to be applied prospectively, with retrospective application permitted. The Corporation is in the process of evaluating the impact of the amended guidance on its Statement of Financial Condition.

### **3. CASH AND SECURITIES SEGREGATED UNDER FEDERAL AND OTHER REGULATIONS**

The Corporation operates under the provisions of Paragraph (k)(2)(i), Paragraph (k)(2)(ii), and Footnote 74 of Rule 15c3-3 of the Securities Exchange Act of 1934, and accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of these provisions provide that the Corporation does not carry customer accounts and promptly transmits all customer funds and securities to the issuer, carrier, or the Corporation's clearing broker-dealer.

The Corporation offers a commission rebate program to certain clients and therefore maintains a Rule 15c3-3 bank account. As of June 30, 2024, the balance in this account was \$808,732, which exceeded amounts to be rebated to clients of \$170. The balance is included within cash and cash equivalents in the Statement of Financial Condition.

#### 4. SECURITIES TRANSACTIONS

Securities owned and securities sold, not yet purchased are recorded at fair value. Total securities at June 30, 2024 consist of the following:

	<u>Securities</u>	
	<u>Owned, at fair value</u>	<u>Sold, not yet purchased, at fair value</u>
State and municipal obligations	\$ 84,421,451	—
Corporate obligations	319,290,199	127,444,262
Money market investments	190,118,900	—
U.S. government, government sponsored agencies, and agency obligations	23,516,175	104,171,267
Commercial paper and certificates of deposit	121,121,291	2,763,664
Stocks	1,446,240	—
Total securities	<u>\$ 739,914,256</u>	<u>234,379,193</u>

Securities transactions are recorded on a trade-date basis.

#### 5. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

The Corporation clears all of its transactions through a clearing broker-dealer on a fully-disclosed basis. The Corporation's exposure to credit risk associated with nonperformance of its customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the customers' ability to satisfy their obligations to the Corporation. The Corporation does not anticipate nonperformance by customers in the above situations. The Corporation, through a clearing broker-dealer, seeks to control the aforementioned risks by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Corporation's clearing broker-dealer monitors required margin levels daily and, pursuant to such guidelines, requires the customer to deposit additional collateral or reduce positions, when necessary. The Corporation's policy is to monitor its market exposure and counterparty risk. In addition, the Corporation has a policy of reviewing, as considered necessary, the credit standing of each customer with whom it conducts business.

The Corporation is engaged in the short sale of securities. Securities sold, not yet purchased, represent obligations of the Corporation, which result in off-balance sheet risk as the ultimate obligation may exceed the amount shown currently in the financial statement due to increases in the fair value of these securities. These securities sold short are generally hedged positions against securities holdings and, as a result, any increase in the Corporation's obligation related to the securities sold, not yet purchased, will generally be offset by gains in the related long position.

The Corporation is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Corporation may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Corporation's policy to review and monitor, as necessary, the credit standing of and exposure to each counterparty.

At June 30, 2024, the Corporation had the following securities that exceeded 10% of total securities positions, which equals securities owned, at fair value less securities sold, not yet purchased, at fair value:

<b>Securities owned, at fair value</b>	<b>Fair Value</b>	<b>Percentage of Total Securities</b>
Certificate of Deposit - JP Morgan	\$ 65,325,362	13%
Federated Government Obligations Fund	190,118,900	38%
Total Securities owned, at fair value	<u>\$ 255,444,262</u>	<u>51%</u>

  

<b>Securities sold, not yet purchased, at fair value</b>	<b>Fair Value</b>	<b>Percentage of Total Securities</b>
United States Treasuries	\$ 104,171,267	21%
Total Securities sold, not yet purchased, at fair value	<u>\$ 104,171,267</u>	<u>21%</u>

## 6. INCOME TAXES

The Corporation is included in the consolidated federal income tax return filed by the Bancorp. As described in the tax sharing agreement between the Corporation and the Bancorp, federal income taxes are calculated as if the Corporation files separate income tax returns and state income taxes for consolidated state income tax jurisdictions are calculated based on the Corporation's contributions to the consolidated tax bases.

Deferred income taxes are comprised of the following temporary differences at June 30, 2024:

Deferred tax assets:	
Deferred compensation	\$ 2,352,109
Deferred income/expense	1,017,007
State deferred taxes	773,256
Reserves	52,462
Other	6,510
Total deferred tax assets	<u>4,201,344</u>
Deferred tax liabilities:	
Prepaid expenses	31,867
Intangible assets	28,935
Other	71,951
Total deferred tax liabilities	<u>132,753</u>
Total net deferred tax asset	<u>\$ 4,068,591</u>

The Corporation has determined that a valuation allowance is not needed against the deferred tax assets as of June 30, 2024. The Corporation considered all of the positive and negative evidence available to determine whether it is more likely than not that the deferred tax assets will ultimately be realized and, based upon that evidence, the Corporation believes it is more likely than not that the deferred tax assets recorded at June 30, 2024 will ultimately be realized.

## 7. GOODWILL AND INTANGIBLE ASSETS

As of June 30, 2024, the Corporation had goodwill of \$66,414,847. In connection with the acquisition of HHC and H2C, the Corporation recorded additional goodwill of \$1,623,578. The Corporation completed its most recent annual goodwill impairment test as of September 30, 2023 and determined that no impairment existed.



## 8. FAIR VALUE MEASUREMENTS

The Corporation measures certain financial assets and liabilities at fair value in accordance with U.S. GAAP, which 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. U.S. GAAP also establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the instrument's fair value measurement. The three levels within the fair value hierarchy are described as follows:

*Level 1* — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.

*Level 2* — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* — Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Corporation's own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the Corporation's own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

The following table summarizes assets and liabilities measured at fair value on a recurring basis:

As of June 30, 2024	Level 1	Fair Value Measurements Using		Total Fair Value
		Level 2	Level 3 <sup>(a)</sup>	
<b>ASSETS:</b>				
Securities owned, at fair value				
State and municipal obligations	\$	—	84,421,451	—
Corporate obligations		—	319,290,199	—
Money market investments		190,118,900	—	—
U.S. government, government sponsored agencies and agency obligations		13,981,311	9,534,864	—
Commercial paper and certificates of deposit		—	121,121,291	—
Stocks		1,446,240	—	—
Securities owned, at fair value		205,546,451	534,367,805	—
Derivative assets				
Options on futures contracts		986,352	—	—
To-be-announced transactions		—	39,746	—
Derivative assets		986,352	39,746	—
Total assets	\$	206,532,803	534,407,551	—
<b>LIABILITIES:</b>				
Securities sold, not yet purchased, at fair value				
Corporate obligations	\$	—	127,444,262	—
U.S. government, government sponsored agencies and agency obligations		104,171,267	—	—
Commercial paper and certificates of deposit		—	2,763,664	—
Securities sold, not yet purchased, at fair value		104,171,267	130,207,926	—
Derivative liabilities				
To-be-announced transactions		—	27,422	—
Derivative liabilities		—	27,422	—
Total liabilities	\$	104,171,267	130,235,348	—

(a) During the period ended June 30, 2024, there were no transfers in or out of Level 3.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

*Financial Instruments Measured at Level 1* — Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities within securities owned, at fair value include money market investments, U.S. government obligations and stocks, which are valued based on market transactions involving identical assets that are actively traded and exchange-traded derivatives valued using quoted prices. Level 1 securities within securities sold, not yet purchased, at fair value include U.S. government obligations, which are valued based on market transactions involving identical securities that are actively traded.

*Financial Instruments Measured at Level 2* — If quoted market prices are not available, then fair values are estimated using pricing models which primarily utilize quoted prices of securities with similar characteristics. Level 2 securities within securities owned, at fair value include: state and municipal obligations valued based on bonds with similar characteristics; corporate obligations valued utilizing an Option Adjusted Spread model; U.S. government obligations, extended settlement to-be-announced ("TBA") derivatives, commercial paper and certificates of deposit valued utilizing a matrix-based approach. Level 2 securities within securities sold, not yet purchased, at fair value include: corporate obligations valued utilizing an Option Adjusted Spread model; extended settlement TBA derivatives, commercial paper and certificates of deposit valued utilizing a matrix-based approach.

*Financial Instruments Measured at Level 3* — In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within Level 3 of the valuation hierarchy. There were no securities included within Level 3 as of June 30, 2024.

*Short-term Financial Assets and Liabilities* — The fair value of the receivables from the clearing broker and affiliated companies and the payables to the Parent Company approximate their carrying amounts because of the short maturities of the instruments. Similarly, due to the short-term nature of all other financial assets and liabilities, their carrying values approximate fair value.

## **9. DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation may use free-standing derivative instruments to reduce certain risks related to interest rate volatility. These instruments, if any, are included within other assets and other liabilities within the Statement of Financial Condition. Instruments the Corporation may use include futures contracts and options on futures contracts that are based on Treasury notes and Treasury bonds. Futures contracts are contracts in which the buyer agrees to purchase, and the seller agrees to make delivery of, a specific financial instrument at a predetermined price or yield. As of June 30, 2024, the Corporation had options on futures contracts with a notional amount of \$171,900,000 and a positive fair value of \$986,352 recorded in other assets within the Statement of Financial Condition.

Additionally, the Corporation may execute agency mortgage-backed, TBA securities transactions that are scheduled to settle beyond the nearest-term settlement date and therefore, are considered derivative contracts under U.S. GAAP. The Corporation facilitates these transactions in order to meet customer needs. As of June 30, 2024, the Corporation had unsettled TBA transactions of this nature with a notional amount of \$51,000,000, resulting in a positive fair value of \$39,746 and a negative fair value of \$27,422 which are recorded in receivables from clearing broker-dealer, net within the Statement of Financial Condition.

Credit risks arise from the possible inability of counterparties to meet the terms of their contracts. The Corporation's exposure is limited to the replacement value of the contracts rather than the notional amounts.

## **10. NET CAPITAL REQUIREMENTS**

The Corporation is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Corporation uses the alternative method for calculating net capital, which requires maintaining minimum net capital equal to the greater of \$250,000 or 2% of aggregate debit balances, as defined. At June 30, 2024, the Corporation's net capital of \$648,803,614 exceeded its required net capital of \$250,000 by \$648,553,614.

## **11. GUARANTEES**

The Corporation guarantees the collection of all margin account balances held by its clearing broker-dealer for the benefit of its customers. The Corporation is responsible for payment to the clearing broker-dealer for any loss, liability, damage, cost or expense incurred as a result of customers failing to comply with margin or margin maintenance calls on all margin accounts. The margin account balance held by the clearing broker-dealer as of June 30, 2024 was \$12,444,902. In the event of any customer default, the Corporation has rights to the underlying collateral provided. Given the existence of the underlying collateral provided as well as the negligible historical credit losses, the Corporation does not maintain any loss reserve.

## **12. RELATED PARTY TRANSACTIONS**

The Bancorp uses a centralized approach to cash management. Cash receipts and payments of trade payables and other disbursements are processed through a centralized cash management system by the Bancorp. All cash derived from or required for the Corporation's operations is applied to or against the payables to the Parent Company.

The payables to the Parent Company of \$1,448,786 represent a net payable as the Corporation has the right and the intent to net settle the payable to and the receivable from the Parent Company. At June 30, 2024, the net payable relates to \$30,697,610 in general payables, which are decreased by \$29,248,824 in general receivables.

The receivables from affiliated companies of \$3,616,295 represent a net receivable as the Corporation has the right and the intent to net settle the payables to and the receivables from affiliated companies. At June 30, 2024, the net receivable relates to \$4,206,185 in general receivables, which are reduced by \$589,890 in general payables.

Federal and certain state income taxes are filed on a consolidated basis with the Parent Company or other affiliated companies and are net settled with each entity. At June 30, 2024, the payables to the Parent Company or affiliated companies relating to income taxes were \$2,344,937.

On March 31, 2024, the Corporation renewed their Pledge Agreement with the Parent Company. Under the Pledge Agreement, the Parent Company agreed to extend credit to the Corporation in the principal amount of \$250,000,000. Interest is paid monthly at the target Federal Funds Rate plus 4.00%, which was 9.50% at June 30, 2024 and includes an interest rate floor of 4%. The note is due March 31, 2025 and is secured by certain securities owned by the Corporation. The Corporation had no outstanding borrowings on this note at June 30, 2024.

The Corporation offers a brokerage sweep product that allows customers to sweep excess cash positions into an account at the Parent Company.

The Bancorp has fidelity bonds with coverage that extends to the Corporation. The deductible on these bonds is \$7,500,000.

As of June 30, 2024, the Corporation had \$50,597,943 of cash on deposit with the Parent Company, recorded in cash and cash equivalents in the Statement of Financial Condition.

### **13. COMMITMENTS AND CONTINGENCIES**

The Corporation leases various offices under operating agreements to be paid from 2024 through 2025.

In the normal course of business, the Corporation is subject to certain litigation. Management is of the opinion, based upon review of its issues, that settlements (if any) not specifically accrued for at June 30, 2024 will not materially impact the Corporation's Financial Statement.

The Corporation serves as a remarketing agent for variable rate demand notes (“VRDNs”). The VRDNs pay interest to holders at a rate of interest that fluctuates based upon market demand. The VRDNs generally have long-term maturity dates, but can be tendered by the holder for purchase at par value upon proper advance notice. When the VRDNs are tendered, a remarketing agent generally finds another investor to purchase the VRDNs to keep the securities outstanding in the market. The Corporation acts as the remarketing agent to issuers on approximately \$365,640,000 of VRDNs as of June 30, 2024. As remarketing agent, the Corporation is responsible for actively remarketing VRDNs to other investors when they have been tendered. If another investor is not identified, the Corporation may choose to purchase the VRDNs into inventory at its discretion while it continues to remarket them. If the Corporation purchases the VRDNs into inventory, it can subsequently tender back the VRDNs to the issuer’s trustee with proper advance notice. As of June 30, 2024, the Corporation did not hold any of these securities in its portfolio.

The Corporation routinely enters into when-issued and firm underwriting commitments. At June 30, 2024, the Corporation had no outstanding underwriting commitments.

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