



July 3, 2023

VIA ELECTRONIC DELIVERY

Ms. Jeannette Jackson
U.S. Securities and Exchange Commission
100 F Street, NE
Mail Stop 7010
Washington, DC 20549-7010

Re: MEMX LLC – Form 1 Amendment

Dear Ms. Jackson:

On behalf of MEMX LLC (“MEMX”), and in connection with the MEMX Form 1 that is on file with the Securities and Exchange Commission (“Commission”), enclosed please find the Execution Page to Form 1 as well as the following exhibits:¹

- Exhibit D (updated to provide the unconsolidated financial statements of MEMX Holdings LLC, MEMX SubCo LLC, MEMX Technologies LLC, and MEMX Digital Assets for the fiscal year ending December 31, 2022 as Exhibits D-1, D-2, D-3 and D-4, respectively, and statements in lieu of financial statements for MEMX Execution Services LLC); and
- Exhibit I (updated to provide the audited financial statements of MEMX for the fiscal year ending December 31, 2022).

This amendment is filed in accordance with SEC Rule 6a-2 and is intended to replace Exhibits D, D-1, D-2, and I to MEMX’s Form 1 currently on file with the Commission (Exhibits D-3 and D-4 have not previously been filed). Please do not hesitate to contact me at 551-370-1003 if you have any questions or require anything further.

Regards,

A handwritten signature in black ink, appearing to read "A Franzon".

Anders Franzon
General Counsel

Enclosures

¹ This Amendment has been filed electronically based on and in accordance with the “Division of Trading and Markets Staff Statement Regarding Requirements for Certain Paper Submissions in Light of COVID-19 Concerns.”

Form 1 Page 1 Execution Page	UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 APPLICATION FOR, AND AMENDMENTS TO APPLICATION FOR, REGISTRATION AS A NATIONAL SECURITIES EXCHANGE OR EXEMPTION FROM REGISTRATION PURSUANT TO SECTION 5 OF THE EXCHANGE ACT	Date filed (MM/DD/YY): 7/3/23	OFFICIAL USE ONLY
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WARNING: Failure to keep this form current and to file accurate supplementary information on a timely basis, or the failure to keep accurate books and records or otherwise to comply with the provisions of law applying to the conduct of the applicant would violate the federal securities laws and may result in disciplinary, administrative, or criminal action.

INTENTIONAL MISSTATEMENTS OR OMISSIONS OF FACTS MAY CONSTITUTE CRIMINAL VIOLATIONS

APPLICATION AMENDMENT

1. State the name of the applicant: MEMX LLC

2. Provide the applicant's primary street address (Do not use a P.O. Box):
525 Washington Blvd., Suite 300, Jersey City, NJ 07310

3. Provide the applicant's mailing address (if different):
382 NE 191st Street, Suite 92178
Miami, FL 33179



23007764

4. Provide the applicant's business telephone and facsimile number:
833-415-6300

(Telephone)

(Facsimile)

5. Provide the name, title, and telephone number of a contact employee:
Jonathan Kellner Chief Executive Officer 551-370-1001

(Name)

(Title)

(Telephone Number)

6. Provide the name and address of counsel for the applicant:
Anders Franzon
MEMX LLC, 382 NE 191st Street, Suite 92178
Miami, FL 33179

7. Provide the date applicant's fiscal year ends: December 31

8. Indicate legal status of applicant: Corporation Sole Proprietorship Partnership
 Limited Liability Company Other (specify): _____

If other than a sole proprietor, indicate the date and place where applicant obtained its legal status (e.g. state where incorporated, place where partnership agreement was filed or where applicant entity was formed):

(a) Date (MM/DD/YY): 10/03/18 (b) State/Country of formation: Delaware/United States

(c) Statute under which applicant was organized: Delaware Limited Liability Company Act

EXECUTION: The applicant consents that service of any civil action brought by , or notice of any proceeding before, the Securities and Exchange Commission in connection with the applicant's activities may be given by registered or certified mail or confirmed telegram to the applicant's contact employee at the main address, or mailing address if different, given in Items 2 and 3. The undersigned, being first duly sworn, deposes and says that he/she has executed this form on behalf of , and with the authority of , said applicant. The undersigned and applicant represent that the information and statements contained herein, including exhibits, schedules, or other documents attached hereto, and other information filed herewith, all of which are made a part hereof, are current, true, and complete.

Date: 7/3/23 MEMX LLC
(MM/DD/YY) (Name of applicant)

By: /s/ Anders Franzon Anders Franzon, General Counsel
(Signature) (Printed Name and Title)

Subscribed and sworn before me this _____ day of _____, _____ by _____
(Month) (Year) (Notary Public)

My Commission expires _____ County of _____ State of _____

*This page must always be completed in full with original, manual signature and notarization.
Affix notary stamp or seal where applicable.*

Based upon relief from Commission staff and difficulties arising from COVID-19, this filing is made without a notarization.

MEMX LLC

Date of Filing/Accurate as of: June 30, 2023

EXHIBIT D

For each subsidiary or affiliate of the exchange, provide unconsolidated financial statements for the latest fiscal year. Such financial statements shall consist, at a minimum, of a balance sheet and an income statement with such footnotes and other disclosures as are necessary to avoid rendering the financial statements misleading. If any affiliate or subsidiary is required by another Commission rule to submit annual financial statements, a statement to that effect, with a citation to the other Commission rule, may be provided in lieu of the financial statements required here.

Attached as Exhibit D-1 are the unaudited financial statements of MEMX Holdings LLC for the fiscal year ending December 31, 2022.

Attached as Exhibit D-2 are the unaudited financial statements of MEMX SubCo LLC for the fiscal year ending December 31, 2022.

MEMX Execution Services LLC's financial statements have been omitted from Form 1 and are filed separately pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 thereunder.

Attached as Exhibit D-3 are the unaudited financial statements of MEMX Technologies LLC for the fiscal year ending December 31, 2022.

Attached as Exhibit D-4 are the unaudited financial statements of MEMX Digital Assets LLC for the fiscal year ending December 31, 2022.

EXHIBIT D-1

Unaudited financial statements of MEMX Holdings LLC
for the fiscal year ending December 31, 2022

MEMX Holdings LLC (Stand-alone)
Statement of Financial Condition

December 31, 2022
Unaudited

Assets

Cash and cash equivalents	\$ 2,128,569
Restricted cash	481,206
Prepaid expenses	497,261
Due from subsidiaries	222,364
Right of use assets, operating	4,021,991
Other assets	6,642
Total Assets	<u>\$ 7,358,033</u>

Liabilities and Members' Equity

Liabilities:

Accounts payable	403,444
Accrued expenses	8,231
Lease obligations, operating	4,596,607
Other liabilities	55,541
Total Liabilities	<u>5,063,823</u>

Total Members' Equity

2,294,210

Total Liabilities and Members' Equity

\$ 7,358,033

MEMX Holdings LLC (Stand-alone)

Statement of Income (Loss)

Year Ended December 31, 2022

Unaudited

Operating Expenses

Compensation & benefits	\$ 1,210,102
Professional fees and outside services	185,576
Other expenses	209,847
Total Operating Expenses	<u>1,605,525</u>

Non-Operating

Interest income	64,021
Total Non-Operating	<u>64,021</u>

Net Income (Loss)	<u>\$ (1,541,504)</u>
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EXHIBIT D-2

Unaudited financial statements of MEMX SubCo LLC
for the fiscal year ending December 31, 2022

MEMX SubCo LLC (Stand-alone)
Statement of Financial Condition

December 31, 2022
Unaudited

Assets	\$ -
Total Assets	<u><u>\$ -</u></u>
Liabilities and Member's Equity	
Liabilities:	
Due to parent	750
Due to subsidiary	37,996
Other liabilities	250
Total Liabilities	<u><u>38,996</u></u>
Total Member's Equity	<u>(38,996)</u>
Total Liabilities and Member's Equity	<u><u>\$ -</u></u>

MEMX SubCo LLC (Stand-alone)
Statement of Income (Loss)
Year Ended December 31, 2022
Unaudited

Operating Expenses	
Professional fees and outside services	\$ 24,810
Other expenses	3,505
Total Operating Expenses	<u><u>28,315</u></u>
Net Income (Loss)	<u><u>\$ (28,315)</u></u>

EXHIBIT D-3

Unaudited financial statements of MEMX Technologies LLC
for the fiscal year ending December 31, 2022

MEMX Technologies LLC (Stand-alone)
Statement of Financial Condition

December 31, 2022
Unaudited

Assets

Cash and cash equivalents	\$ 6,331,087
Accounts receivable	551,000
Property and equipment, net	<u>204,886</u>
Total Assets	<u><u>\$ 7,086,973</u></u>

Liabilities and Member's Equity

Liabilities:

Accounts payable	62,515
Due to affiliate	394,514
Deferred revenue	<u>6,132,000</u>
Total Liabilities	<u><u>6,589,029</u></u>

Total Member's Equity

	<u>497,944</u>
Total Liabilities and Member's Equity	<u><u>\$ 7,086,973</u></u>

MEMX Technologies LLC (Stand-alone)
Statement of Income (Loss)
Year Ended December 31, 2022
Unaudited

Revenues	
Professional fees	\$ 1,515,000
Total Revenues	<u>1,515,000</u>
Operating Expenses	
Compensation & benefits	\$ 638,174
Professional fees and outside services	255,899
Technology infrastructure	84,186
General and administrative	34,859
Depreciation and amortization	3,938
Total Operating Expenses	<u>1,017,056</u>
Net Income (Loss)	<u>\$ 497,944</u>

EXHIBIT D-4

Unaudited financial statements of MEMX Digital Assets LLC
for the fiscal year ending December 31, 2022

MEMX Digital Assets LLC (Stand-alone)
Statement of Financial Condition

December 31, 2022
Unaudited

Assets

Prepaid expenses	\$	5,795
Other assets		<u>500,000</u>
Total Assets	\$	<u>505,795</u>

Liabilities and Member's Equity

Liabilities:

Due to affiliate		<u>14,075</u>
Total Liabilities		<u>14,075</u>

Total Member's Equity		<u>491,720</u>
Total Liabilities and Member's Equity	\$	<u>505,795</u>

MEMX Digital Assets LLC (Stand-alone)
Statement of Income (Loss)
Year Ended December 31, 2022
Unaudited

Revenues	
Professional fees	\$ 500,000
Total Revenues	<u><u>500,000</u></u>
Operating Expenses	
Professional fees and outside services	\$ 11,393
Technology infrastructure	8,208
Exchange connectivity and data	13,500
Total Operating Expenses	<u><u>33,101</u></u>
Net Income (Loss)	<u><u>\$ 466,899</u></u>

MEMX LLC

Date of Filing/Accurate as of: June 21, 2023

EXHIBIT I

For the latest fiscal year of the applicant, audited financial statements which are prepared in accordance with, or in the case of a foreign applicant, reconciled with, United States generally accepted accounting principles, and are covered by a report prepared by an independent public accountant. If an applicant has no consolidated subsidiaries, it shall file audited financial statements under Exhibit I alone and need not file a separate unaudited financial statement for the applicant under Exhibit D.

Attached are the audited financial statements of MEMX LLC for the fiscal year ending December 31, 2022. MEMX LLC has no consolidated subsidiaries.

MEMX LLC

Financial Statements Year Ended December 31, 2022

With Report of Independent Auditors

MEMX LLC
Year Ended December 31, 2022
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Report of Independent Auditors

The Members and Board of Directors of
MEMX LLC

Opinion

We have audited the financial statements of MEMX LLC (the Company), which comprise the statement of financial condition as of December 31, 2022, and the related statements of income (loss), changes in members' equity and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

March 28, 2023

MEMX LLC
Statement of Financial Condition
December 31, 2022

Assets

Cash and cash equivalents	\$ 12,834,154
Restricted cash	3,009,348
Investments - held to maturity	12,594,913
Accounts receivable, net	20,715,833
Prepaid expenses	1,361,154
Due from affiliates	474,399
Property and equipment, net	12,038,430
Right of use assets, financed	6,058,552
Right of use assets, operating	2,246,020
Notes receivable, net	7,544,705
Other assets	86,263
Total Assets	<u>\$ 78,963,771</u>

Liabilities and Members' Equity

Liabilities:

Accounts payable	7,203,006
Accrued expenses	25,674,866
Accrued compensation	8,800,006
Due to parent	183,452
Lease obligations, financed	6,051,045
Lease obligations, operating	2,246,020
Other liabilities	35,377
Total Liabilities	<u>50,193,772</u>

Members' Equity:

Contributed capital	177,227,165
Retained earnings	(148,457,166)
Total Members' Equity	<u>28,769,999</u>
Total Liabilities and Members' Equity	<u>\$ 78,963,771</u>

The accompanying notes are an integral part of these financial statements.

MEMX LLC
Statement of Income (Loss)
Year Ended December 31, 2022

Revenues	
Transaction fees	\$ 302,377,446
Regulatory fees	57,824,662
Market data fees	26,596,637
Connectivity & membership fees	15,614,450
Total Revenues	<u>402,413,195</u>
Cost of Revenues	
Transaction rebates	324,153,294
Regulatory fees	57,824,662
Total Cost of Revenues	<u>381,977,956</u>
Revenues less Cost of Revenues	<u><u>20,435,239</u></u>
Operating Expenses	
Compensation & benefits	23,809,904
Professional fees and outside services	3,069,309
Technology infrastructure	7,218,057
Exchange connectivity and data	2,139,000
General and administrative	1,492,332
Depreciation and amortization	4,877,043
Other expenses	2,302,937
Total Operating Expenses	<u><u>44,908,582</u></u>
Non-Operating	
Interest income	277,883
Interest expense	(121,983)
Total Non-Operating	<u><u>155,900</u></u>
Net Income (Loss)	<u><u>\$ (24,317,443)</u></u>

The accompanying notes are an integral part of these financial statements.

MEMX LLC
Statement of Changes in Members' Equity
Year Ended December 31, 2022

	<u>Contributed Capital</u>	<u>Retained Earnings</u>	<u>Total Members' Equity</u>
Balance, January 1, 2022	\$ 171,227,165	\$ (124,139,723)	\$ 47,087,442
Contributions	6,000,000	-	6,000,000
Net income (loss)	-	(24,317,443)	(24,317,443)
Balance, December 31, 2022	<u>\$ 177,227,165</u>	<u>\$ (148,457,166)</u>	<u>\$ 28,769,999</u>

The accompanying notes are an integral part of these financial statements.

MEMX LLC
Statement of Cash Flows
Year Ended December 31, 2022

Cash Flows from Operating Activities	
Net income (loss)	\$ (24,317,443)
Adjustments to reconcile net income (loss) to net cash flows from operating activities	
Depreciation and amortization expense	4,877,043
Provision for accounts receivable credit losses	11,630
Provision for credit losses on notes receivable	2,083,695
Decrease (increase) in operating assets	
Accounts receivable, net	(3,266,108)
Prepaid expenses	(119,660)
Due from affiliates	(397,738)
Other assets	(28,958)
Increase (decrease) in operating liabilities	
Accounts payable	(8,481,885)
Accrued expenses	17,959,581
Accrued compensation	(104,994)
Due to parent	(1,849,780)
Other liabilities	35,377
Net Cash Used in Operating Activities	<u><u>(13,599,240)</u></u>
Cash Flows from Investing Activities	
Purchases of held to maturity investments	(12,546,638)
Accretion of discount on held to maturity investments	(48,275)
Acquisition of property & equipment	(3,060,061)
Issuance of notes receivable	(7,174,413)
Net Cash Used in Investing Activities	<u><u>(22,829,387)</u></u>
Cash Flows from Financing Activities	
Capital contributions received	6,000,000
Payment of financing lease obligations	(2,514,105)
Net Cash Provided by Financing Activities	<u><u>3,485,895</u></u>
Increase (decrease) in Cash, Cash Equivalents, and Restricted Cash	(32,942,732)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Period	48,786,234
Cash, Cash Equivalents, and Restricted Cash, End of Period	<u><u>\$ 15,843,502</u></u>
Balances as of December 31, 2022:	
Cash and cash equivalents	\$ 12,834,154
Restricted cash	3,009,348
Total Cash, Cash equivalents and Restricted cash	<u><u>\$ 15,843,502</u></u>
Supplemental disclosure of cash transactions:	
Cash paid for interest	\$ 121,983
Cash paid for income taxes	-

The accompanying notes are an integral part of these financial statements.

MEMX LLC
Notes to Financial Statements
December 31, 2022

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

MEMX LLC (the “Company” or the “Exchange”) was organized as a Delaware Limited Liability Company on October 3, 2018. The Company is a subsidiary of MEMX Holdings LLC (“MEMX Holdings”) and MEMX SubCo LLC (“MEMX SubCo”), with 99.5% and 0.5% ownership interests, respectively. MEMX SubCo is a wholly owned subsidiary of MEMX Holdings.

The Company was established to create a member-owned national securities exchange, focused on creating and promoting a fair, transparent, and efficient experience for all investors. The Exchange offers a simpler platform with features that benefit both retail and institutional investors. The Exchange received regulatory approval from the U.S. Securities and Exchange Commission (“SEC”) on May 4, 2020 and commenced operations of its U.S. equities market on September 21, 2020. The Exchange is a United States registered national securities exchange and self-regulatory organization (“SRO”) and is therefore subject to oversight by the SEC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements include all accounts of the Company and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), following Accounting Standards Codification (“ASC”) as set forth by the Financial Accounting Standards Board (“FASB”).

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts and disclosure of contingent amounts in the financial statements and accompanying notes. Management believes the estimates used in preparing the financial statements are reasonable and prudent. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash held at banks and short-term, highly liquid investments which are readily convertible to cash, with original maturities of three months or less. Cash and cash equivalents are on deposit with multiple financial institutions. At times, balances may be in excess of federally insured limits. Management monitors the soundness of the financial institutions and believes the Company’s risk is negligible. The Company has not experienced any losses in such accounts.

Restricted cash

Restricted cash includes amounts held in a letter of credit to collateralize the Company’s finance leases for technology and office equipment.

Investments – held to maturity

Investments consist of U.S. Treasury securities which are directly issued by the U.S. government with original maturities between three and twenty-four months. Treasury securities held as of December 31, 2022 had original maturities between three and six months. The Company has classified these securities as held to maturity and they are reported at accreted cost, which approximates fair value. They are classified within Level 1 of the fair value hierarchy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable, net

Accounts receivable consist primarily of transaction and regulatory fees receivable from member firms as well as Securities Information Processor (“SIP”) market data fees receivable from tape administrators. Amounts receivable from member firms and market data administrators are included in accounts receivable and are carried at cost net an allowance for credit losses. The Company recognizes an allowance in other expenses when there are expected credit losses. See Note 6.

Accounts receivable, net consists of the following at December 31, 2022:

Transaction fees	\$ 6,186,239
Regulatory fees	6,257,904
Market data fees	6,780,615
Connectivity & membership fees	1,502,705
Accumulated allowance for credit losses	(11,630)
Total accounts receivable, net	\$ 20,715,833

Prepaid expenses

Prepaid expenses consist primarily of software licenses which are amortized over their respective subscription periods.

Property and equipment, net

Property and equipment is recorded at cost and presented less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from three to fifteen years. In the case of leasehold improvements, the shorter of the original lease term or the useful life is utilized. The Company capitalizes costs of internally developed software incurred during the application development stage. These costs are amortized using the straight-line method over the estimated useful life of exchange infrastructure, generally five years.

The Company reviews remaining estimated useful lives of long lived assets at each balance sheet date and will make adjustments should circumstances indicate that such estimated useful lives have changed.

Leases

The Company determines if an arrangement contains a lease at inception. Right-of-use (“ROU”) assets represent the right to use an underlying asset for the lease term and lease liabilities represent obligations to make lease payments. Lease ROU assets and liabilities are recognized at commencement date based on the net present value of lease payments over the lease term. The Company’s lease agreements may not provide an implicit rate. As a result, the Company will use an implied incremental borrowing rate based on its estimated credit rating and other available market information at lease commencement.

The lease ROU asset reflects any upfront lease payments made as well as lease incentives received. The lease terms may include options to extend or terminate the lease and these are factored into the determination of the ROU asset and lease liability at lease inception when and if it is reasonably certain that the Company will exercise that option.

MEMX LLC
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company's lease arrangements may contain lease and non-lease components. Non-lease components have been excluded from the Company's calculations of its ROU assets and lease liabilities.

ROU assets are tested for impairment whenever changes in facts or circumstances indicate that the carrying amount of the asset may not be recoverable. No such impairment was recognized during the year ended December 31, 2022.

Notes receivable, net

Notes receivable consist of promissory notes receivable related to the Consolidated Audit Trail ("CAT"). The CAT was formed to create a market-wide consolidated audit trail designed to improve regulators' ability to monitor trading activity. Funding for the implementation of the CAT is provided by the SROs in exchange for promissory notes receivable. These promissory notes are expected to be repaid, in part, once an industry funding model is approved by the SEC and fees are collected by the SEC. The Company recognizes an allowance in other expenses when there are expected credit losses over the expected life of the financial instrument. See Note 6.

Notes receivable, net consists of the following at December 31, 2022:

	December 31, 2022
Notes receivable	\$ 11,317,059
Accumulated allowance for credit losses	<u>(3,772,354)</u>
Total notes receivable, net	\$ 7,544,705

Accrued compensation

The Company has established target bonus agreements with various employees. The accrued compensation at December 31, 2022 reflects the actual payment disbursed in January 2023.

Members' equity

At December 31, 2022, 1,000 units of a single class were issued and outstanding. The Company's profits and losses are allocated to members in accordance with the percentage ownership interest and each member's liability is limited to their contribution. During the year, MEMX Holdings made capital contributions totaling \$6,000,000 to the Company, of which \$30,000 represented contributions from MEMX SubCo.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

All revenue presented on the income statement is considered to be revenue from contracts with customers. The Company's significant revenue streams are described below.

Transaction Fees and Rebates - Transaction fees and rebates represent fees charged (or rebated) to members for meeting the point-in-time performance obligation of either executing a trade on the Exchange or routing an order for execution at another exchange. These fees and rebates can be variable based on trade volume tiered discounts. The rate charged as a fee or rebated to a client as an incentive, is based on the client trade volume and activity relative to established rate tiers or liquidity provision targets. Fees and rebates are calculated and billed monthly in accordance with the Exchange's published fee schedules and the prevailing client fee or rebate achieved.

Regulatory Fees - Pursuant to the Securities Exchange Act of 1934, as amended, Section 31 fees are assessed based on the notional value executed on each exchange and are designed to recover the costs to the government of supervision and regulation of securities markets and securities professionals. Regulatory fees are collected from members to cover the Section 31 fees charged by the SEC for meeting the point-in-time performance obligation of executing a trade on the Exchange.

Regulatory fees are calculated and billed monthly. Fees received are included in cash at the time of receipt and, as required by law, the amount due to the SEC is remitted semiannually and recorded as an accrued liability until paid. As the Exchange is responsible for the ultimate payment to the SEC, it is considered the principal in these transactions and therefore regulatory fees are recorded gross.

Market Data - Market data fees represent SIP fees from the U.S. tape plans and proprietary market data fees from customers. Fees collected from tape plan subscribers, net of plan costs, are allocated and distributed quarterly to plan participants according to their share of tape fees and considers both trading and quoting activity. Proprietary market data fees are charged to customers monthly in accordance with the Exchange's published fee schedules. Market data revenue is recognized over time throughout each month as the Exchange provides the data to satisfy its performance obligation.

Connectivity and Membership - Connectivity fees are charged to customers and members for their connections to the Exchange, which include both physical connections and application sessions. Membership fees are assessed to maintain active membership. Connectivity and membership fees are billed monthly in accordance with the Exchange's published fee schedules and recognized over time throughout each month as the Exchange provides the connectivity and ongoing membership to satisfy its performance obligation.

Income taxes

The Company is a limited liability company which is taxed as a partnership for U.S. tax purposes. No provision for applicable income taxes is made in the financial statements as the Company is treated as a pass-through entity for federal, state and local income taxes.

As of December 31, 2022, the Company determined that it has no uncertain tax positions, interest or penalties as defined within ASC 740, Income Taxes ("ASC 740"), and accordingly, management has concluded that no additional ASC 740 disclosures are required.

As of December 31, 2022, the Company's tax returns are subject to examination by tax authorities for the years 2019 through 2021.

MEMX LLC
Notes to Financial Statements
December 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensation and benefits

Compensation and benefits consist of the following for the year ended December 31, 2022:

Salaries	\$ 14,000,474
Bonuses	7,772,611
Other compensation & benefits	2,036,819
Total compensation & benefits	<u>\$ 23,809,904</u>

Professional fees and outside services

Professional fees and outside services consist primarily of regulatory compliance and advisory services, which include but aren't limited to legal, audit, tax, marketing and talent acquisition.

Technology infrastructure

Technology infrastructure expenses are related to the development and maintenance of both our exchange and enterprise architecture. These include datacenter colocation, software, and technical consulting expenses.

Exchange connectivity and data

Exchange connectivity and data expenses include fees paid to connect to other national securities exchanges and for access to market data feeds utilized in the Company's exchange infrastructure. These fees may be paid directly to other national securities exchanges as well as extranets and third-party market data providers.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2022:

Exchange infrastructure	\$ 12,440,201
Leasehold improvements	2,311,155
Furniture & equipment	696,519
Software	1,018,083
Website	425,609
Total cost of property and equipment	<u>\$ 16,891,567</u>
Accumulated depreciation	<u>(4,853,137)</u>
Property and equipment, net	<u>\$ 12,038,430</u>

During the year ended December 31, 2022, property and equipment depreciation expense of \$1,638,697 and internally developed software amortization of \$732,688 were charged to operations. At December 31, 2022, unamortized internally developed software costs totaled \$5,501,384.

MEMX LLC
Notes to Financial Statements
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4. LEASES

Finance leases - The Company enters into finance leases for technology and office equipment ranging from three to five years. These leases include the option to extend for an additional term and a purchase option at market price at the end of the term. Interest expense under financing leases for the year ended December 31, 2022 was \$121,983.

Operating leases – The Company has determined that certain of its vendor colocation arrangements contain operating leases. Such arrangements contain automatic renewals, subject to 30-90 day written notice periods for termination. Colocation lease expenses are recognized as incurred.

The following provides supplemental balance sheet information related to the Company's finance and operating leases at December 31, 2022:

	<u>Finance Leases</u>	<u>Operating Leases</u>
Assets:		
Lease assets	\$ 6,058,552	\$ 2,246,020
Liabilities:		
Current lease liabilities	\$ 2,571,538	\$ 818,098
Non-current lease liabilities	3,479,507	1,427,922
Total lease liabilities	<u>\$ 6,051,045</u>	<u>\$ 2,246,020</u>

The following summarizes the Company's lease costs for the year ended December 31, 2022:

Operating lease cost	\$ 868,504
Finance lease cost:	
Amortization of right-of-use assets	\$ 2,505,658
Interest on lease liabilities	121,983
Total Finance lease cost	<u>\$ 2,627,641</u>

Supplemental weighted-average information related to leases was as follows:

Weighted-average remaining lease term (years):

Finance leases	2.5
Operating leases	2.8

Weighted-average discount rate:

Finance leases	3.17%
Operating leases	2.25%

As of December 31, 2022, future repayments of lease liabilities were as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2023	\$ 2,725,499	\$ 885,874
2024	2,322,974	903,592
2025	1,214,055	691,247
2026	41,083	-
2027	7,957	-
Thereafter	-	-
Total lease payments	<u>6,311,568</u>	<u>2,480,713</u>
Less imputed interest	260,523	234,693
Total	<u>\$ 6,051,045</u>	<u>\$ 2,246,020</u>

MEMX LLC
Notes to Financial Statements
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5. REVENUE

The following summarizes 2022 annual revenue by recognition pattern:

	Point-in-time	Over time
Revenues:		
Transaction fees	\$ 302,377,446	\$ -
Regulatory fees	57,824,662	-
Market data fees	-	26,596,637
Connectivity & membership fees	-	15,614,450
Total revenues	\$ 360,202,108	\$ 42,211,087
Cost of revenues:		
Transaction rebates	324,153,294	-
Regulatory fees	57,824,662	-
Total cost of revenues	\$ 381,977,956	\$ -
Revenues less cost of revenues	\$ (21,775,848)	\$ 42,211,087

During the year ended December 31, 2022 five trading members accounted for 52% of the Company's transaction fee revenues and 68% of the Company's transaction fee rebates.

6. CREDIT LOSSES

Current expected credit losses are estimated for certain accounts receivable and notes receivable. Provisions for credit losses are included in other expenses.

Accounts receivable credit losses are estimated based on historical actual losses and current conditions which inform collectability.

Notes receivable credit losses are estimated based on CAT industry funding model proposals. During February 2022, a funding model was proposed which suggests promissory note recoverability of approximately 67%. Management believes this most recent funding model is likely to be approved and has adjusted its accumulated allowance against notes receivable accordingly.

The following table summarizes changes in allowance for credit losses during the year ended December 31, 2022:

	Balance, January 1, 2022	Credit loss provision	Write-offs charged against allowance	Balance, December 31, 2022
Accounts receivable	\$ -	\$ 26,630	\$ (15,000)	\$ 11,630
Notes receivable	1,688,659	2,083,695	-	3,772,354
Total allowance for credit losses	\$ 1,688,659	\$ 2,110,325	\$ (15,000)	\$ 3,783,984

7. COMMITMENTS AND CONTINGENCIES

The Company has lease arrangements for technology, office equipment, and certain colocation arrangements that expire at various dates through 2027. See Note 4 for details of lease related assets, liabilities, and expenses.

From time to time, the Company may become involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that management believes could have a material effect on results of operations, cash flows, or financial condition.

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Notes to Financial Statements
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8. RELATED PARTY TRANSACTIONS

The Company holds approximately \$2.2 million of its cash and cash equivalents balance in checking and saving accounts at an affiliate of one of the equity members of MEMX Holdings. Additionally, its restricted cash balance is held at the same institution. Interest earned during the year ended December 31, 2022 was de minimis.

The Company holds its treasury investments at an affiliate of one of the equity members of MEMX Holdings. These investments earned approximately \$62,000 of interest during the year ended December 31, 2022.

Certain equity members of MEMX Holdings, or affiliates of such equity members, are also trading members of the Exchange. During the year ended December 31, 2022, such equity members or their affiliates accounted for 54% of the Company's transaction fee revenues and 50% of the Company's transaction fee rebates.

The Company is party to an intercompany agreement with MEMX Holdings, whereby MEMX Holdings shall guarantee adequate funding for the Company's operations. In accordance with the agreement, the Company shall receive all member and market data fees and, at its discretion, shall remit to MEMX Holdings any excess non-regulatory funds. To date, no such distributions to MEMX Holdings have been made.

The Company is party to an expense sharing arrangement with MEMX Holdings and an affiliated routing broker-dealer, MEMX Execution Services LLC ("MEMX ExS"), whereby direct routing revenues are paid to and support services and certain operating expenses are allocated to MEMX ExS. Additionally, the Company may allocate support services through intercompany charges and pay vendors for direct expenses on behalf of MEMX Holdings and its affiliates. At December 31, 2022 amounts due to parent include \$3,000,000 paid by MEMX Holdings to collateralize the Company's letter of credit, offset by intercompany payments and direct expenses paid on behalf of MEMX Holdings and MEMX SubCo.

The following summarizes the direct and allocated components of related party receivables and payables at December 31, 2022:

	Due from affiliates	Due to parent
Related party receivables (payables)		
Direct revenues	\$ (55,634)	\$ -
Allocated expenses	51,820	-
Direct expenses	478,213	(183,452)
Balance at December 31, 2022	\$ 474,399	\$ (183,452)

9. SUBSEQUENT EVENTS

The Company has evaluated the need for disclosures or adjustments or both resulting from subsequent events from the date of the financial statements through March 28, 2023, the issuing date of the financial statements, and determined that there were no subsequent events that require disclosure or adjustment.