

**SPARTAN CAPITAL SECURITIES, LLC**  
**(A WHOLLY OWNED SUBSIDIARY OF SPARTAN CAPITAL HOLDINGS, LLC)**

**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

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*Note 8 - Contingencies and Accrued Liabilities (continued)*

ASC 450 Contingencies governs the disclosure and recognition of loss contingencies, including potential losses from litigation and regulatory matters. ASC 450 defines a “loss contingency” as “an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur.”

It imposes different requirements for the recognition and disclosure of loss contingencies based on the likelihood of occurrence of the contingent future event or events. It distinguishes among degrees of likelihood using the following three terms: “probable,” meaning that “the future event or events are likely to occur”; “remote,” meaning that “the chance of the future event or events occurring is slight”; and “reasonably possible,” meaning that “the chance of the future event or events occurring is more than remote but less than likely.” These three terms are used below as defined in ASC 450. In establishing appropriate disclosure and recognition for loss contingencies, management assesses each matter, and requires management to make certain estimates and judgments that may affect the Company’s financial position.

In the normal course of business, the Company is party to a number of lawsuits and legal matters. At December 31, 2024 there are several pending claims against the Company seeking various damages, including punitive damages, reimbursement of legal fees and other asserted claims. An estimate of loss or range of loss cannot be made for lawsuits whereby management and legal counsel believe the outcome is uncertain. The Company’s policy is to reserve for costs related to contingencies when a loss is probable, and the amount is reasonably estimable.

As December 31, 2024, in the opinion of management, after consultation with outside legal counsel, there were no commitments, contingencies or guarantees for which a loss is probable and estimable within the scope of ASC 450 other than those accrued for in the Company’s December 31, 2024 financial statements. However, litigation is subject to inherent uncertainties, and a material adverse result in these or other matters may arise from time to time. Included in the statement of operations for the year ended December 31, 2024 there is \$569,050 of settlements in connection with legal contingencies which existed as of December 31, 2024.

An Extended Hearing Panel Decision issued on March 28, 2023 ordered the Company to pay a fine of \$600,000 and other sanctions, including but not limited to, retaining an independent consultant to review its supervisory procedures. After timely filing an appeal of the Hearing Panel’s Decision to FINRA’s National Adjudicatory Council (“NAC”), on October 9, 2024, the NAC issued its Decision on the Company’s Appeal. In the Decision, the NAC affirmed the findings of violations and modified the sanctions imposed against the Company’s principals. On November 4, 2024, the Company and its principals timely filed an Application for Review of the NAC’s Decision with the SEC (the “SEC Application”). The filing of the application for review to the SEC automatically stays FINRA’s decisions and the sanctions imposed.