BROADRIDGE BUSINESS PROCESS OUTSOURCING, LLC
(An indirect wholly-owned subsidiary of Broadridge Financial Solutions, Inc.)

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2016

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Broadridge Business Process Outsourcing, LLC

(An Indirect Wholly-Owned Subsidiary of Broadridge Financial Solutions, Inc.)

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2016
(Dollars in thousands)

ASSETS	
Cash	$ 18,568
Cash segregated under federal regulations	1,205
Accounts receivable	49,721
Receivable from affiliates, net (Note 5)	3,596
Other assets (Note 3)	5,413
TOTAL ASSETS	$ 78,503
LIABILITIES AND MEMBER'S EQUITY	
LIABILITIES	
Accrued expenses and other liabilities (Note 4)	$ 3,064
Payable to foreign affiliate (Note 5)	159
Administrative fees payable to an affiliate (Note 5)	32,776
Deferred revenues	3,834
TOTAL LIABILITIES	39,833
COMMITMENTS AND CONTINGENCIES (Note 6)	
MEMBER'S EQUITY	38,670
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 78,503

See notes to statement of financial condition.

1. Organization and Business Activities

Broadridge Business Process Outsourcing, LLC (the "Company") was formed on April 6, 2001 as a Delaware Limited Liability Company, and is wholly-owned by Broadridge Securities Processing Solutions, Inc. (the "Parent"), which in turn, is a wholly-owned subsidiary of Broadridge Financial Solutions, Inc. ("Broadridge"), a global provider of investor communication services and securities processing and operations outsourcing solutions to the financial services industry. The Company is headquartered in Edgewood, New York. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company has two lines of business:

- ***Mutual Fund Processing*** **-** The Company performs broker-dealer functions that consist primarily of effecting and facilitating the unsolicited purchase and redemption of trades of various mutual fund shares submitted by institutions such as banks, trust companies, third-party administrators, broker-dealers and registered investment advisers throughout the United States. In this capacity, the Company is the broker-dealer of record.

- ***Operations Outsourcing*** **-** The Company also provides operations outsourcing solutions that allow broker-dealers to outsource certain administrative functions relating to clearing and settlement to the Company, from order entry to trade matching and settlement, while maintaining their ability to finance and capitalize their business. The Company's operations outsourcing clients execute and clear their own securities transactions and engage the Company to perform a number of related administrative back-office functions, such as record-keeping and reconciliations. In this capacity, the Company is not the broker-dealer of record.

Although the Company's FINRA membership agreement allows the Company to engage in clearing and the retailing of corporate securities in addition to mutual fund retailing on a wire order basis, the Company does not clear customer transactions, process any retail business or carry customer accounts, and the Company claims exemption from the customer protection requirements of Rule 15c3-3 of the Securities Exchange Act of 1934 ("Rule 15c3-3") under the provisions of 17 C.F.R. § 240.15c3-3(k)(2)(ii).

2. Summary of Significant Accounting Policies

Basis of Presentation **-** The statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). As discussed in Notes 1 and 5, the Company is part of an affiliated group of entities. Accordingly, these affiliations and other related-party disclosures must be taken into consideration when reviewing the accompanying statement of financial condition, which was prepared on the basis that the Company is a going concern and will continue in operation for the foreseeable future, and will be able to realize assets and discharge liabilities in the normal course of operations.

***Use of Estimates* -** The preparation of the statement of financial condition in conformity with U.S. GAAP requires management to make certain estimates and assumptions during the reporting period that affect the reported amounts in the financial statement and accompanying notes. Significant estimates include the outcome of litigation, accrued bonuses, allowance on accounts receivable and accrued revenue. Actual results could differ from those estimates.

***Cash* -** Cash includes demand deposits held in banks. The Company has no restrictions on cash deposits.

***Affiliate Transaction Balances and Settlement* -** The Company receives services from, and provides services to, various Broadridge business units for which the Company is charged or bills on a monthly basis. Such services are formalized under service level agreements which document specific service requirements and pricing. Several of the Company's obligations for settlement are facilitated by the Parent, even when the Company is performing work for other affiliates. As such, these receivables from, and payables to, various Broadridge business units are disclosed on a net basis in the statement of financial condition as Receivable from affiliates, net.

***Allowance for Doubtful Accounts* -** The Company reviews its accounts receivable balances on a monthly basis. Aged receivables are identified and researched, and related clients are notified and requested to submit payment. The Company analyzes each open receivable specifically to determine whether there is risk of non-payment. The Company books allowances for those open receivables for which payment in full is not expected based on historical experience, current credit ratings and other factors. As of December 31, 2016, the Company had no allowance for doubtful accounts relating to its accounts receivable balances.

***Deferred Client Conversion Costs* -** For the Company's operations outsourcing line of business, direct costs that are incurred to set up or convert a client's systems to function with the Company's technology are generally deferred and recognized on a straight-line basis over the service term of the contract, which commences after client acceptance and when the processing term begins.

***Deferred Client Concessions* -** For the Company's operations outsourcing line of business, concessions granted as incentive for clients to enter into new or renewal contracts are generally deferred and recognized on a straight-line basis over the service term of the contract as a reduction to revenue, which commences after client acceptance and when the processing term begins.

***Compensation and Benefits* -** The Company is allocated its share of applicable stock-based compensation expense from Broadridge. Stock-based compensation expense is allocated to the Company based on headcount and is recorded as a capital contribution through the Parent within Member's Equity in the statement of financial condition (see Note 5). Additionally, certain employees of the Company participate in Broadridge's employee benefit plans. These plans include a benefit plan providing health benefits to eligible employees and their families, a defined benefit pension plan, and a 401(k) retirement and savings plan. The costs of these plans are allocated to the Company by Broadridge based on certain employee-related metrics. As such expenses for the current year are settled in cash, they are not recorded as capital contributions.

***Income Taxes* -** The Company has elected to be treated as a Limited Liability Company (LLC) for income tax purposes. Accordingly, taxable income and losses of the Company are reported in the income tax return of Broadridge and no provision for income taxes has been recorded in the accompanying statement of financial condition. The Company, as a single-member LLC, does not allocate income taxes because it does not have a tax-sharing agreement.

New Accounting Pronouncements – In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* ("ASU No. 2016-02"). Under ASU No. 2016-02, all lease arrangements exceeding a twelve month term will be recognized as assets and liabilities on the balance sheet of the lessee by recording a right-of-use asset and corresponding lease obligation generally equal to the present value of the future lease payments over the lease term. Further, the income statement will reflect lease expense for leases classified as operating and amortization/interest expense for leases classified as financing, determined using classification criteria substantially similar to the current lease guidance for distinguishing between an operating and capital lease. ASU No. 2016-02 also contains certain additional qualitative and quantitative disclosures to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an entity's leasing activities, including significant judgments and changes in judgments. ASU No. 2016-02 is effective for the Company in the first quarter of fiscal year 2020 and will be adopted on a modified retrospective basis, which will require adjustment to all comparative periods presented in the financial statements. The Company is currently evaluating the impact of the pending adoption of ASU No. 2016-02 on the Company's statement of financial condition.

In January 2016, the FASB issued ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU No. 2016-01"), which provides guidance for the recognition, measurement, presentation, and disclosure of financial assets and liabilities. ASU No. 2016-01 is effective for the Company beginning in the first quarter of fiscal year 2019. The pending adoption of this guidance is not expected to have a material impact on the Company's statement of financial condition.

3. Other Assets

Other assets consists of the following as of December 31, 2016:

	December 31, 2016 (Dollars in thousands)
Deferred client conversion costs, net of accumulated amortization of $2,226	$ 3,364
Deferred client concession, net of accumulated amortization of $1,347	850
Fixed assets, net of accumulated depreciation of $2,396	636
Prepaid expenses	375
Deposit with clearing organization	150
Other	38
Total other assets	$ 5,413

4. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following as of December 31, 2016:

		December 31, 2016 (Dollars in thousands)
Accounts payable and accrued expenses	$	1,625
Accrued bonus		1,415
Restructuring liabilities		24
Total accrued expenses and other liabilities	$	3,064

5. Related Party Transactions

Administrative Fees Payable to an Affiliate **-** The Company pays administrative fees to an affiliate for further distribution to institutions such as banks, trust companies, third-party administrators, broker-dealers and registered investment advisers to perform certain services that the Company is contractually obligated to perform for the mutual fund families. The Company pays these fees related to its mutual fund processing business. As of December 31, 2016, the Company had a payable of $32,776 thousand related to such fees.

Receivable from Affiliates, net – As of December 31, 2016, mutual fund processing related party receivables from an affiliate of $1 thousand and operations outsourcing net amounts due from an affiliate of $3,595 thousand are reflected in the Statement of Financial Condition.

Receivable from affiliate - mutual fund processing - Consists of client fees that are remitted to an affiliated entity. Such fees are then remitted to the Company during the following month. These receivables are not settled net against the Company's administrative fees and operations outsourcing intercompany payables and do not qualify for netting under the Company's intercompany netting agreement with Broadridge.

Receivable from affiliate, net - Operations Outsourcing – Consists of outsourcing receivables that will be collected by Broadridge on behalf of the Company and then remitted to the Company, net of payables for payroll and accounts payable and other services and allocations.

Payroll and accounts payable - Broadridge funds payroll and accounts payable on behalf of the Company. The Company subsequently reimburses Broadridge for such payments.

Other services and allocations - The Company receives services from other Broadridge wholly-owned entities primarily related to data processing, statements, customer statements and confirmation generation. The Company subsequently reimburses Broadridge for such services.

Payable to Foreign Affiliate **-** As of December 31, 2016, the Company had a $159 thousand payable to a foreign affiliate related to its operations outsourcing business that is not settled net against the Company's operations outsourcing receivables and does not qualify for netting under the Company's intercompany netting agreement with Broadridge.

6. Commitments and Contingencies

Litigation **-** From time to time, in the normal course of business, the Company may be threatened with, or named as a defendant in, lawsuits, arbitrations, and administrative claims. Any such claims that are decided against the Company could harm the Company's business. The Company is also subject to periodic regulatory audits and inspections which could result in fines or other disciplinary actions. Unfavorable outcomes in such matters may result in a material impact on the Company's financial position, results of operations or cash flows. As of December 31, 2016, the Company is unaware of any pending or threatened litigation, the resolution of which would have a material impact on its statement of financial condition.

Guarantees **-** The Company provides a guarantee to the Options Clearing Corporation ("OCC") as a managing clearing member. Under the standard OCC membership agreement, members are required to guarantee the performance of the other members. Under the agreement, if another member becomes unable to satisfy its obligations to the OCC, the other members would be required to meet any shortfalls. The Company’s liability under this arrangement is not quantifiable as the information necessary to estimate the obligations of the other members, which could exceed $150 thousand of cash the Company has posted as collateral, is not available. However, the potential for the Company to be required to make payments under this arrangement is deemed remote by management. Accordingly, no contingent liability is carried in the statement of financial condition for this guarantee.

7. Regulatory Requirements

Although the Company's FINRA membership agreement allows the Company to engage in clearing and the retailing of corporate securities in addition to mutual fund retailing on a wire order basis, the Company does not clear customer transactions, process any retail business or carry customer accounts, and the Company claims exemption from the customer protection requirements of Rule 15c3-3 of the Securities Exchange Act of 1934 (“Rule 15c3-3”) under the provisions of 17 C.F.R. § 240.15c3-3(k)(2)(ii).

As a registered broker-dealer and member of FINRA, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities Exchange Act of 1934 (“Rule 15c3-1”). The Company computes its net capital under the alternative method permitted by Rule 15c3-1, which requires the Company to maintain minimum net capital equal to the greater of $250 thousand or 2% of aggregate debit items arising from customer transactions. At December 31, 2016 the Company’s required minimum net capital was $250 thousand. FINRA may require a member firm to reduce its business if its net capital is less than 4% of aggregate debit items, or may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital would be less than 5% of aggregate debit items. As of December 31, 2016, the Company had net capital of approximately $12,838 thousand, which exceeded the minimum requirement by approximately $12,588 thousand.

In addition, the Company, as a 'Managing Clearing Member' of the Options Clearing Corporation ("OCC"), is subject to OCC Rule 309(b) in connection with its operations outsourcing services that are provided to other OCC 'Managed Clearing Member' broker-dealers, which requires the Company to maintain minimum net capital of $5,600 thousand. As of December 31, 2016, the Company's net capital exceeded the OCC minimum requirement by approximately $7,238 thousand.

8. Subsequent Events

The Company has reviewed events that have occurred after December 31, 2016 through the date the statement of financial condition was issued. The Company issued a dividend of $1,100 thousand to the Parent on January 25, 2017 which, under direction of the Parent, was paid directly to Broadridge. Other than this dividend, the Company had no material subsequent events requiring adjustment or disclosure.

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