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

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2020

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

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2020
(Dollars in thousands)

ASSETS	
Cash	$ 27,925
Cash segregated under federal regulations	1,239
Accounts receivable	59,274
Receivable from affiliates, net (Note 6)	1,187
Other assets (Note 4)	28,369
TOTAL ASSETS	$ 117,994
LIABILITIES AND MEMBER'S EQUITY	
LIABILITIES	
Accrued expenses and other liabilities (Note 5)	$ 3,196
Payable to foreign affiliate (Note 6)	122
Administrative fees payable to an affiliate (Note 6)	43,530
Contract liabilities	7,976
TOTAL LIABILITIES	54,824
COMMITMENTS AND CONTINGENCIES (Note 7)	
MEMBER'S EQUITY	63,170
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 117,994

See notes to financial statement.

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 BPO Holding LLC (the "Parent"). The Parent is owned by Broadridge Securities Processing Solutions, LLC ("BSPS") and Broadridge Fixed Income Liquidity Solutions, LLC ("BFILS"). BSPS is a wholly-owned subsidiary of Broadridge Financial Solutions, Inc. ("Broadridge"), a global fintech leader providing investor communications and technology-driven solutions to banks, broker-dealers, mutual funds and corporate issuers. 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").

2. Summary of Significant Accounting Policies

***Basis of Presentation* -** The financial statement 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 6, 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 financial statement in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the Company's financial statement and accompanying notes thereto. These estimates are based on management's best knowledge of current events, historical experience, actions that the Company may undertake in the future and on various other assumptions and judgments that are believed to be reasonable under the circumstances. Accordingly, actual results could differ from those estimates. The use of estimates in specific accounting policies is described further in the notes to the financial statement, as appropriate. Significant estimates include the Company's accounts receivable related to its mutual fund processing business and related administrative fees payable, and bonus accrual.

***Cash and Cash Equivalents* -** Cash includes demand deposits held in banks. The Company has no restrictions on cash deposits. Cash equivalents include certain highly liquid investments with original maturities of 90 days or less. At December 31, 2020 the Company had no cash equivalents.

***Cash Segregated Under Federal Regulations* -** At December 31, 2020 cash of $1,032 thousand and $207 thousand had been segregated in special reserve accounts for the exclusive benefit of customers and proprietary accounts of broker-dealers, respectively, exceeding actual requirements by $1,032 thousand and $207 thousand, respectively, in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934.

***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 and settles monthly. 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 are receivables from, and payables to Broadridge and are disclosed on a net basis in the statement of financial condition as Receivable from affiliate, net. 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 advisors to perform certain services that the Company is contractually obligated to perform for the mutual fund families. Payables related to such administrative fees are disclosed in the statement of financial condition as Administrative fees payable to an affiliate (see Note 6).

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, 2020, 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.

Internal Use Software – Expenditures for software purchases, perpetual software licenses and software developed or obtained for internal use are capitalized and amortized over a three- to five-year period on a straight-line basis. During the six months ended December 31, 2020, the Company capitalized $667 thousand related to internal use software projects. For software developed for internal use, the Company's accounting policy provides for the capitalization of external direct costs of materials and services associated with developing or obtaining internal use computer software. In addition, the Company also capitalizes payroll and payroll-related costs for employees who are directly associated with internal use software projects. The amount of capitalizable payroll costs with respect to these employees is limited to direct time spent on such projects. Costs associated with preliminary project stage activities, training, maintenance, and all other post-implementation stage activities are expensed as incurred. The Company also expenses internal costs related to minor upgrades and enhancements, as it is impractical to separate these costs from normal maintenance activities. The Company has reviewed its internal use software in accordance with Accounting Standards Codification ("ASC") Topic 360-10-35, *Impairment or Disposal of Long-Lived Assets*, and has determined that no impairment charge was required.

Fixed Assets, Net - Fixed assets, which are included in other assets, consist primarily of communication and data processing equipment and are stated at cost less accumulated amortization and depreciation. Depreciation is expensed over the estimated useful lives of the assets, which range from 3 to 7 years. The cost of maintenance and repairs is expensed as incurred.

Income Taxes - The Company is a Limited Liability Company (LLC) and a disregarded entity for income tax purposes. Accordingly, taxable income and losses of the Company are reported in the income tax return of the Parent and no provision for income taxes has been recorded in the accompanying statement of financial condition. The Company, as a single-member LLC, is not allocated income taxes from the Parent because it does not have a tax-sharing agreement.

New Accounting Pronouncements – In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* ("ASU No. 2016-13"), which prescribes an impairment model for most financial instruments based on expected losses rather than incurred losses. Under this model, an estimate of expected credit losses over the contractual life of the instrument is to be recorded as of the end of a reporting period as an allowance to offset the amortized cost basis, resulting in a net presentation of the amount expected to be collected on the financial instrument. The expected credit loss model incorporates historical collection experience and other factors, including those related to current market conditions and events. The Company monitors trade receivable balances and other related assets, and estimates the allowance for lifetime expected credit losses. ASU No. 2016-13 became effective for the Company in the first quarter of fiscal year 2021. For most instruments, the Company must apply the standard using a cumulative-effect adjustment to member's equity as of the beginning of the fiscal year of adoption. The Company made no cumulative-effect adjustment to member's equity as a result of the adoption of ASU No. 2016-13.

3. Revenue Recognition

ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"), outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers. The core principle is that an entity recognizes revenue to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's revenues from clients are primarily generated from fees for providing technology-enabled services and solutions. Revenues are recognized for the Company's two lines of business as follows:

- ***Mutual Fund Processing -*** The Company performs broker-dealer functions that consist primarily of effecting and facilitating the unsolicited purchase and redemption 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. The Company serves as the broker-dealer of record on the mutual fund accounts. Purchases and redemptions of mutual funds are processed through an affiliate, Matrix Trust Company ("Matrix Trust"), a trust member of the National Securities Clearing Corporation and settled in a bank account registered in the name of Matrix Trust. Mutual fund accounts are registered as Matrix Trust Company for the benefit of customers or in nominee name of financial institutions such as banks, third-party administrators, registered investment advisers, and broker-dealers.

- ***Operations Outsourcing*** - The Company also provides operations outsourcing solutions that allow a client to outsource certain middle and back-office 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.

Contract balances

The following table provides information about contract assets and contract liabilities ($ in thousands):

	Opening Balance July 1, 2020	Closing Balance December 31, 2020
Contract assets	$ 185	$ 137
Contract liabilities	11,134	7,976

The Company's contract assets represent arrangements in which an estimate of variable consideration has been included in the transaction price and thereby recognized as revenue that precedes the contractual due date. Revenue is recognized when all material conditions for completion have been met and it is probable that a significant revenue reversal will not occur in a future period. Contract liabilities represent consideration received or receivable from clients before the transfer of control occurs (deferred revenue). Contract balances are reported in a net contract asset and liability position on a contract-by-contract basis at the end of each reporting period on the statement of financial condition under Other assets and Contract liabilities, respectively.

During the six months ended December 31, 2020, contract liabilities decreased primarily due to the amortization of a client contract termination that was accounted for as a contract modification.

Contract Costs

For the Company's operations outsourcing line of business, direct costs that are incurred to set up a client 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. The Company evaluates the carrying value of deferred client conversion and start-up costs for impairment on the basis of whether these costs are fully recoverable from the expected future undiscounted net operating cash flows of the client to which the deferred costs relate.

The Company defers incremental costs to obtain a client contract that it expects to recover, which consists of sales commissions incurred, only if the contract is executed. Deferred sales commission costs are amortized on a straight-line basis using a portfolio approach consistent with the pattern of transfer of the goods or services to which the asset relates, which also considers expected customer lives. As a practical expedient, the Company recognizes the sales commissions as an expense when incurred if the amortization period of the sales commission asset that the entity otherwise would have recognized is one year or less. The Company evaluates the carrying value of deferred sales commission costs for impairment on the basis of whether these costs are fully recoverable from the expected future undiscounted net operating cash flows of the portfolio of clients to which the deferred sales commission costs relate.

4. Other Assets

Other assets consists of the following as of December 31, 2020:

	December 31, 2020 (Dollars in thousands)
Deferred client conversion costs, net of accumulated amortization of $5,742	$ 6,086
Deferred client concession, net of accumulated amortization of $702	596
Fixed assets, net of accumulated depreciation of $528	138
Leasehold improvements, net of accumulated amortization of $33	10
Prepaid expenses	517
Deposit with clearing organization	500
Internal use software, net of accumulated amortization of $1,781	4,016
LTX® right-of-use software license (Note 6)	16,430
Deferred sales commissions, net of accumulated amortization of $21	45
Software licenses, net of accumulated amortization of $350	31
Total other assets	$ 28,369

5. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following as of December 31, 2020:

		December 31, 2020 (Dollars in thousands)
Accounts payable and accrued expenses	$	1,720
Accrued bonus		1,476
Total accrued expenses and other liabilities	$	3,196

6. Related Party Transactions

***Software License Agreements* -** The Company is developing a new line of business, an interactive data and electronic system and communications platform for securities, derivatives and other interests (“LTX®”). The Company has a perpetual, exclusive, non-transferable, non-sublicensable, worldwide, irrevocable, royalty-free sublicense to certain intellectual property and technology from the Parent (the LTX platform right-of-use software license), that was licensed to the Parent by BFILS. The Parent contributed to the Company a $4,672 thousand valuation adjustment for the sublicensed right-of-use software license for the LTX platform.

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, 2020, the Company had a payable of $43,530 thousand related to such fees.

***Receivable from Affiliates, net* -** As of December 31, 2020, mutual fund processing related party receivables from an affiliate of $210 thousand and operations outsourcing net amounts due from an affiliate of $977 thousand are reflected in the financial statement.

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 - 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 outsourcing payables for payroll and accounts payable funded by Broadridge on behalf of the Company and subsequently reimbursed to Broadridge by the Company, and other services and allocations from other Broadridge wholly-owned entities primarily related to data processing, statements, customer statements and confirmation generation that are subsequently reimbursed to Broadridge by the Company.

Payable to Foreign Affiliate - As of December 31, 2020, the Company had a $122 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.

7. Commitments and Contingencies

Leases - The Company leases office equipment on a month-to-month basis.

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. As of December 31, 2020, there were no matters that the Company is aware of that would have a material impact on its financial statement.

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 a 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 $500 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. Additionally, the OCC has established a Replenishment Plan for a one-time Operational Loss Fee to be charged in equal share to each clearing member, should OCC's equity capital fall below its annually determined target capital level of $247,000 thousand for 90 days or breach 90% of this target level (a "Trigger Event"). Should the Replenishment Plan be triggered, the OCC has determined that for 2019 it would need to raise up to a maximum amount of $141,867 thousand, which based on OCC's 105 clearing members, would result in a charge of up to $1,351 thousand to each clearing member, after the OCC first applies funds held in its Executive Deferred Compensation Plan in excess of amounts necessary to pay for benefits accrued and vested. Additionally, in the event an Operational Loss Fee is charged, once OCC's capital returns to the Early Warning Level of 110% of target capital, or $271,700 thousand, and OCC is in a position to return fees to clearing members, the Operational Loss Fee would be returned equally to each clearing member up to the amount of the Operational Loss Fee charged. The potential for the Company to be required to make payments under the OCC's Replenishment Plan is deemed remote by management. Accordingly, no contingent liability is carried in the statement of financial condition for this guarantee.

Covid-19 - In March 2020, the World Health Organization declared the outbreak of Covid-19 as a pandemic ("Covid-19"), which continues to spread throughout the world including the U.S., India, Canada, Europe and other locations where we operate. Developments have been occurring rapidly with respect to the spread of Covid-19 and its impact on human health and businesses. To date, the Covid-19 pandemic has negatively impacted the global economy, created significant financial market volatility, disrupted global supply chains, and resulted in a significant number of deaths and infections worldwide. In response, several countries worldwide have enacted fiscal stimulus packages while central banks have increased monetary stimulus, both designed to help mitigate the negative macroeconomic effects of Covid-19. In addition, several national, state and local governments have placed restrictions on people from gathering in groups or interacting within a certain physical distance (i.e. social distancing) and in certain cases, have ordered businesses to close, limit operations or mandate that people stay at home.

To date, there has not been a material impact as a result of Covid-19 on our financial statement. The Company continues to process above average equity and fixed income trades for our clients that operate in the financial services industry, many of whom themselves have experienced significant levels of trading activity from market volatility caused by the Covid-19 pandemic, and our mutual fund processing business remains strong. Further, we have not experienced any significant supply-chain issues as our critical vendors have also remained operational and continue to meet their on-going service level requirements. We continue to actively engage with our clients to assist with their service demands, including our clients' needs for any supplemental operational services and/or changes to existing service requirements in response to the Covid-19 pandemic.

Notwithstanding the foregoing, we are unable to precisely predict the impact that Covid-19 will have in the future due to numerous uncertainties, including the severity of the disease, the duration of the outbreak, actions that may be taken by governmental authorities, the impact to the business of our clients, and the uncertainty of the extent to which the coronavirus pandemic and any resultant economic downturn impacts our business, operations, and financial results, which will depend on numerous evolving factors that are outside our control and which we may not be able to accurately predict, including the duration and scope of the pandemic and the governmental, business and individual actions taken in response to the pandemic and the impact of those actions on global economic activity. Given these uncertainties, Covid-19 could disrupt the business of certain of our clients, decrease our clients' demand for our services, impact our business operations and our ability to execute on our associated business strategies and initiatives, and adversely impact our results of operations and/or our financial condition in the future. We will continue to closely monitor and evaluate the nature and extent of the impact of Covid-19 to our business, results of operations, and financial condition.

8. 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, 2020 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, 2020, the Company had net capital of $17,491 thousand, which exceeded the minimum requirement by $17,241 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 $6,400 thousand as of December 31, 2020. As of December 31, 2020, the Company's net capital exceeded the OCC minimum requirement by $11,091 thousand.

9. Subsequent Events

The Company has reviewed events that have occurred after December 31, 2020 through the date the financial statement was issued. The Company issued dividends of $1,000 thousand and $1,100 thousand to the Parent on January 6, 2020 and February 10, 2020, respectively, which, under direction of the Parent, were paid directly to Broadridge. Other than these dividends, the Company had no material subsequent events requiring adjustment or disclosure.

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