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

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2022

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Broadridge Business Process Outsourcing, LLC

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

STATEMENT OF FINANCIAL CONDITION (UNAUDITED)
AS OF DECEMBER 31, 2022
($ in thousands)

ASSETS	
Cash	$ 20,675
Cash segregated under federal regulations	1,253
Accounts receivable	60,972
Receivable from foreign affiliate (Note 6)	3
Receivable from affiliate, net (Note 6)	1,996
Other assets (Note 4)	29,862
TOTAL ASSETS	$ 114,761
LIABILITIES AND MEMBER'S EQUITY	
LIABILITIES	
Accrued expenses and other liabilities (Note 5)	$ 4,333
Payable to foreign affiliate (Note 6)	130
Payable to affiliate (Note 6)	290
Administrative fees payable to an affiliate (Note 6)	42,796
Contract liabilities	2,391
TOTAL LIABILITIES	49,940
COMMITMENTS AND CONTINGENCIES (Note 7)	
MEMBER'S EQUITY	64,821
TOTAL LIABILITIES AND MEMBER'S EQUITY	$ 114,761

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 Broadridge 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. BFILS is a majority-owned subsidiary of Broadridge. 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 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 fee 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, 2022 the Company had no cash equivalents.

Cash Segregated Under Federal Regulations **-** At December 31, 2022 cash of $1,044 thousand and $209 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 $1,044 thousand and $209 thousand, respectively, in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934.

Current Expected Credit Losses (CECL) & Allowance for Doubtful Accounts **-** The Company estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts of future economic conditions and events. For financial assets on the balance sheet, the allowance for credit losses is reported as a valuation account that adjusts the asset's basis. 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, 2022, the Company had no allowance for doubtful accounts relating to its accounts receivable balances.

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 affiliates, net. The Company pays administrative fees to an affiliate for further distribution to institutions such as banks, trust companies, third-party administrators, retirement plans, 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).

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, 2022, the Company capitalized $66 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.

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.

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.

3. Revenue Recognition

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 three 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, retirement plans, broker-dealers and registered investment advisers throughout the United States. Purchases and redemptions of mutual funds are settled through an affiliate, Matrix Trust Company ("Matrix Trust"), a trust member of the National Securities Clearing Corporation, in a bank account registered in the name of Matrix Trust. The Company serves as the broker-dealer of record on the mutual fund accounts, which are registered as Matrix Trust Company for the benefit of customers or in nominee name of financial institutions such as banks, third-party administrators, retirement plans, broker-dealers and registered investment advisers.

- ***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.

- ***LTX ® -*** The Company provides access to an interactive data and electronic system and communications platform for securities, derivatives and other interests enabling buy-side firms to receive aggregated liquidity from multiple buyers on the same block trade in real time. LTX enables dealers to distribute corporate bonds across their customer network, amplifying the buy-side's opportunity to maximize liquidity and achieve improved best execution, by using LTX's powerful artificial intelligence to identify potential natural buyers of bonds within their customer network. Customers invited to participate in the trade are able to bid for their preferred amount of bonds and improve their price as needed to fulfill their order.

Contract balances

The following table provides information about contract assets and contract liabilities:

($ in thousands)	Opening Balance July 1, 2022	Closing Balance December 31, 2022
Contract assets	$ 113	$ 118
Contract liabilities	2,692	2,391

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 in the statement of financial condition under Other assets and Contract liabilities, respectively.

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. 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, 2022:

	December 31, 2022 ($ in thousands)
Deferred client conversion costs, net of accumulated amortization of $8,698	$ 2,624
Deferred client concession, net of accumulated amortization of $1,598	691
Fixed assets, net of accumulated depreciation of $634	136
Prepaid expenses	567
Deposit with clearing organization	500
Internal use software, net of accumulated amortization of $5,084	2,085
LTX® right-of-use software license, net of accumulated amortization of $8,221 (Note 6)	23,258
Deferred sales commissions, net of accumulated amortization of $7	1
Total other assets	$ 29,862

5. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consists of the following as of December 31, 2022:

		December 31, 2022 ($ in thousands)
Accounts payable and accrued expenses	$	2,669
Accrued bonus		1,664
Total accrued expenses and other liabilities	$	4,333

6. Related Party Transactions

Software License Agreements **-** 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 $3,183 thousand of additional capitalized cost related to 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, retirement plans, 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, 2022, the Company had a payable of $42,796 thousand related to such fees.

Receivable from Affiliate, net – As of December 31, 2022, operations outsourcing net amounts due from an affiliate of $1,996 thousand are reflected in the financial statement, consisting 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, that are not settled net against the Company's operations outsourcing, mutual fund processing and LTX intercompany payables and do not qualify for netting under the Company's intercompany netting agreement with Broadridge.

Receivable from Foreign Affiliate **-** As of December 31, 2022, the Company had a $3 thousand receivable from a foreign affiliate related to its operations outsourcing business that is not settled net against the Company's operations outsourcing, mutual fund processing and LTX intercompany payables and does not qualify for netting under the Company's intercompany netting agreement with Broadridge.

Payable to Affiliate – As of December 31, 2022, the Company had a $290 thousand payable to an affiliate, consisting of a $174 thousand payable related to payroll and accounts payable funded by Broadridge for its mutual fund processing business, a $114 thousand payable related to client concessions funded by Broadridge for its operations outsourcing business, and a $2 thousand payable related to payroll and accounts payable funded by Broadridge for its LTX 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.

Payable to Foreign Affiliate **-** As of December 31, 2022, the Company had a $130 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, 2022, 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 $268,000 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 2023 it would need to raise up to a maximum amount of $157,000 thousand, which based on OCC's 111 clearing members, would result in a charge of up to $1,414 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 $294,800 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 **-** The Covid-19 pandemic ("Covid-19") continues to persist throughout the world including the U.S., India, Canada, Europe and other locations where we operate. 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, we are running our business in a new hybrid combination of work from home and office paradigm, a flexible workplace model that includes masking, social distancing and enhanced cleaning measures designed to protect the health of our employees.

For the six months ended December 31, 2022, there has not been a material impact as a result of Covid-19 on the financial statement. 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 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.

***Conflict in Ukraine* –** We are monitoring the events related to Russia's invasion of Ukraine and have been actively managing any exposure we may have through a cross-functional taskforce that includes members of our senior management. We have no presence in Russia or Ukraine, and do not process any client data in Russia or Ukraine. We are monitoring and believe we are in compliance with all global sanctions arising out of Russia's invasion of the Ukraine. We have taken actions to enhance our information security defenses in response to the Ukraine conflict. We do not expect the Ukraine conflict and the actions we are taking in response to have a material impact on our core operations or financial results.

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 is exempt 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). In addition, the Company's other business activities contemplated by Footnote 74 of the SEC Release No. 34-70073 adopting amendments to 17 C.F.R. § 240.17a-5 are limited to receiving transaction-based compensation for providing technology or platform services.

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 under 17 C.F.R. § 240.15c3-1, 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, 2022 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, 2022, the Company had net capital of $14,732 thousand, which exceeded the minimum requirement by $14,482 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 required the Company to maintain minimum net capital of $6,200 thousand as of December 31, 2022. As of December 31, 2022, the Company's net capital exceeded the OCC minimum requirement by $8,532 thousand.

9. Subsequent Events

The Company has reviewed events that have occurred after December 31, 2022 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 4, 2023 and February 8, 2023, respectively, which under direction of the Parent, were paid directly to Broadridge. Other than these dividends, the Company had no subsequent events requiring adjustment or disclosure.

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