

STATEMENT OF FINANCIAL CONDITION

Redburn (USA) LLC

Year Ended December 31, 2022

With Report of Independent Registered Public Accounting Firm

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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FACING PAGE

Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

REPORT FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022

MM/DD/YY

MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: Redburn (USA) LLC

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

461 Fifth Avenue 15th Floor

(No. and Street)

New York

NY

10017

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Mitchell N. Lowenthal

(212) 803-7315

mitch.lowenthal@redburn.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mazars USA LLP

(Name – if individual, state last, first, middle name)

60 Crossways Park Drive West Suite 301

Woodbury

NY

11797

(Address)

(City)

(State)

(Zip Code)

10/08/2003

339

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

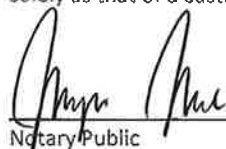
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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

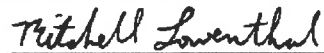
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OATH OR AFFIRMATION

I, Mitchell N. Lowenthal, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Redburn (USA) LLC, as of December 31, 2022, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.


Notary Public

MARYROSE MERCADO
NOTARY PUBLIC, STATE OF NEW YORK
Registration No. 01ME6423025
Qualified in Queens County
Commission Expires October 4, 2025



Signature
General Counsel & Chief Compliance Officer
Title

This filing** contains (check all applicable boxes):

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other:

**To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

Financial Statement and Notes

Year Ended December 31, 2022

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Report of Independent Registered Public Accounting Firm

To the Board of Directors of the Member of Redburn (USA) LLC

Opinion on the Financial Statement


We have audited the accompanying statement of financial condition of Redburn (USA) LLC, (the “Company”), as of December 31, 2022, and the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company, as of December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company’s auditor since 2022.



Woodbury, NY
March 15, 2023

Redburn (USA) LLC
Statement of Financial Condition
December 31, 2022

ASSETS

Cash and cash equivalents	\$ 6,438,155
Restricted cash equivalents	474,613
Receivable from Parent	3,149,044
Receivable from Affiliate	269,677
Receivable from clearing broker	1,537,599
Prepaid expenses	282,664
Prepaid income taxes	597
Operating lease right of use asset	4,483,273
Deferred tax assets	842,861
Fixed assets, net of accumulated depreciation and amortization	489,610
Other assets	<u>18,095</u>
Total assets	<u>\$ 17,986,188</u>

LIABILITIES AND MEMBER'S EQUITY

Liabilities

Accrued compensation and benefits	\$ 3,624,609
Operating lease liability	4,456,384
Accrued professional fees	162,334
Due to Parent	4,092
Accrued expenses and other liabilities	447,296
Accounts payable	101,845
Accrued income taxes payable	<u>836,819</u>
Total liabilities	9,633,379

Member's equity	<u>8,352,809</u>
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Total liabilities and member's equity	<u>\$ 17,986,188</u>
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See accompanying notes to financial statement.

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

1. Organization

Redburn Partners (USA) L.P. was originally established in May 2006 as a partnership under the laws of the State of New York. On March 31, 2014, the partnership was converted into a limited liability company under Section 18-214 of the Limited Liability Company Act and changed its name to Redburn (USA) LLC (the “Company”). At the same date, the Company became a wholly owned subsidiary of its sole member, Redburn (Europe) Limited (“REL” or “Parent”), a company incorporated in England. Due to a large portion of revenues being generated via income earned from transfer pricing from its Parent, the Company’s operating results and financial condition could be significantly different from those that would have been obtained if the Company had been autonomous.

The Company is registered with the Securities and Exchange Commission (“SEC”) as a fully disclosed broker dealer pursuant to the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority (“FINRA”) which is the Company’s designated regulator. The Company provides institutional investors with third-party research of REL, investment banking, and agency execution for European and U.S. equity securities. The Company operates in one reportable business segment which represents principally all of the Company’s operations.

The Company clears its securities transactions on a fully disclosed basis through Pershing LLC (“Pershing”).

2. Significant Accounting Policies

Basis of Presentation

The financial statement of the Company has been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The U.S. dollar is the functional currency of the Company.

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 reported amounts of assets and liabilities at the date of the financial statement. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

The Company considers its investments in short-term money market accounts to be cash equivalents. The Company defines cash equivalents as short term, highly liquid investments with

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

2. Significant Accounting Policies (continued)

original maturities of less than ninety days at the time of purchase. The carrying amounts of such cash equivalents approximate the fair value due to the short-term nature of these instruments.

The Company maintains deposits at two financial institutions in amounts that are in excess of federally insured limits. At December 31, 2022, the Company had a total of approximately \$6,413,000 in excess of the insured limits. The Company has not experienced any losses in such accounts and as of the date of issuance of these financial statements, the Company believes it has mitigated exposure to significant credit risk.

As of December 31, 2022, the Company maintained one money market deposit account of \$474,613 to secure a letter of credit on its current New York office lease. The money market deposit account is recorded as restricted cash equivalents on the Statement of Financial Condition.

Cash Flow

The following table provides a reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the Statement of Financial Condition as of December 31, 2022 that sum to the total of the same such amounts shown on the Statement of Cash Flows.

Cash and cash equivalents	\$ 6,438,155
Restricted cash equivalents	<u>474,613</u>
Total cash, cash equivalents, and restricted cash equivalents shown on the statement of cash flows	<u>\$ 6,912,768</u>

Receivable from Clearing Broker

Receivable from clearing broker includes a clearing deposit of \$1,000,000 that the Company maintains with its clearing broker. The remaining balance represents commissions' receivable, net of clearance and execution costs, related to customers' U.S. equity trading activity. The Company collects these net commissions on behalf of the Parent in accordance with a transfer pricing agreement between the Company and the Parent.

Fixed Assets

Fixed assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is recognized based on the straight line method over the estimated useful lives of the assets. The Company estimates the useful lives of computers, furniture and equipment to be three years. Leasehold improvements are generally amortized over the terms of their respective leases or ten years, whichever is shorter.

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

2. Significant Accounting Policies (continued)

Stock Based Compensation

In May 2017, the FASB issued ASU 2017-09, Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting. ASU 2017-09 provides guidance about which changes to terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The Company adopted ASU 2017-09 for the period beginning April 1, 2018.

Shares

Occasionally, the Parent grants share awards to the Company's employees. The share awards vest over a period of one year to three years and service conditions are attached; the shares only vest if the employee is still employed by the Company, and has not given notice to terminate their employment contract, on vesting date. There are no performance conditions or market conditions.

The Company permits employees to elect to receive fewer shares on the vest date than specified in the original award, in lieu of the Company paying taxes due on the award on the employee's behalf. The award in the form of shares is accounted for as equity.

Leases

The Company recognizes and measures its leases in accordance with ASC 842, *Leases*. The Company is a lessee in one noncancelable operating lease, for office space. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of the lease is not readily determinable and accordingly, the Company used the incremental borrowing rates based on the information available at the commencement date for its lease. The Company's incremental borrowing rate for its leases is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes the lease cost associated with its short-term leases on a straight-line basis over the lease term.

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

2. Significant Accounting Policies (continued)

Income Taxes

Effective January 1, 2010, the Company elected to change its tax classification from a partnership to a corporation for federal, state and local income tax purposes and is therefore subject to applicable corporate income taxes. The Company files its own federal, state and local tax returns and is not part of a group tax return.

Deferred taxes arise from temporary differences between the financial statement and tax bases of assets and liabilities and are measured using the enacted tax rates and laws which are expected to be in effect when the related temporary differences reverse.

Deferred tax assets are evaluated for realization based on available evidence of projected future reversals of existing taxable temporary differences and certain assumptions made regarding future events. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized.

ASC 740, *Income Taxes* ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in financial statements and prescribes a recognition threshold and measurement attribute for uncertain tax positions taken or expected to be taken on a tax return. ASC 740 also requires that interest and penalties related to unrecognized tax benefits be recognized in the financial statement.

3. Fixed Assets

Details of fixed assets at December 31, 2022 were as follows:

Computers	\$ 698,328
Furniture and equipment	312,549
Leasehold improvements	808,124
Subtotal	<u>1,819,001</u>
Less: Accumulated depreciation and amortization	<u>(1,329,391)</u>
Total fixed assets, net of accumulated depreciation and amortization	<u>\$ 489,610</u>

4. Leases

The Company has an obligation as a lessee for office space, with an initial noncancelable term in excess of one year. The Company classified this lease as an operating lease. The Company's lease does include a termination option for either party to the lease or restrictive financial or other covenants. The Company leases office and storage space in New York City under an operating lease which will expire in October 2032. The office lease is secured by a standby letter

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

4. Leases (continued)

of credit that is collateralized by money market deposit account.

Amounts reported on the Statement of Financial Condition as of December 31, 2022 were as follows:

Operating lease ROU asset	\$	4,483,273
Operating lease liability	\$	4,456,384
Operating Lease remaining lease term:		118 months
Weighted-average discount rate Operating Lease:		3.25%

The Company also leases office space in Boston on a short-term basis under an operating lease that will expire in January 2023. In February 2023, the Company entered into a new lease in Boston that will expire January 2024.

Aggregate future minimum rental payments under operating leases for the years subsequent to December 31, 2022 are approximately as follows:

Years ending December 31:	
2023	\$ 563,586
2024	563,586
2025	422,690
2026	422,690
2027	381,669
Thereafter	<u>2,896,404</u>
Total minimum lease payments	<u>\$ 5,250,625</u>
Less: imputed interest	<u>(794,241)</u>
Present value of lease liability	<u>\$ 4,456,384</u>

5. Related Party Transactions

Securities transactions, revenues and receivable from Parent

As described in note 2, the Company receives commissions net of clearing and execution costs on behalf of the Parent in accordance with the transfer pricing agreement. The amount due to the Company from Pershing for commissions net of clearing and execution costs as of December 31, 2022 was \$537,599 and is included on the Statement of Financial Condition in Receivable from clearing broker.

The Company also pays certain costs on behalf of the Parent related to the revenues earned by the Parent. The Company does not recognize these costs as Company expenses because the

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

5. Related Party Transactions (continued)

Parent recognizes these expenses along with the associated revenues.

As of December 31, 2022, the net amount owed to the Company by the Parent related to service fee revenues offset by payments and related costs above was \$3,149,044 and was included within Receivable from Parent on the Statement of Financial Condition.

Expense reimbursements

Occasionally, some of the Parent's employees incur travel and entertainment expenses which are paid by the Company and subsequently reimbursed to the Company by the Parent. For the year ended December 31, 2022, no travel and entertainment expenses were paid by the Company on behalf of the Parent. As of December 31, 2022, the remaining balance of \$4,092 was included within Due to Parent on the Statement of Financial Condition.

Stock Based Compensation

Shares

The following table details the number and weighted average grant date fair values of, and movements in, shares during the year:

	As of January 1, 2022	Granted	Vested	Forfeited	As of December 31, 2022
Unvested shared based payments					
Number of shares	137,667	70,567	(122,580)	-	85,654
Weighted average grant date fair value	£4.22	£4.22	£4.22	£4.22	£4.22

6. Income Taxes

The effective tax rate differs from the statutory federal tax rate of 21% primarily due to state apportionment changes, state and local income taxes, and permanent book and tax differences.

As of December 31, 2022, the deferred tax assets were \$842,861 and deferred tax liabilities were \$0 and are included in the Statement of Financial Condition.

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

6. Income Taxes (continued)

The deferred tax assets are primarily the result of a tax election by the Company to deduct bonuses, start-up costs and stock-based compensation in subsequent years as well as timing differences related to the depreciation of fixed assets. Deferred tax assets increased by \$593,677 and deferred tax liabilities decreased by \$121,460 as of December 31, 2022 as compared to the balances as of December 31, 2021.

Management believes that it is more likely than not that the deferred tax assets will be realized and therefore has not applied a valuation allowance against deferred tax assets.

As of December 31, 2022, the Company determined it has no uncertain tax positions as defined within ASC 740-10.

The Company's 2019 to 2022 tax years remain subject to tax examinations by major tax jurisdictions. The Company is not under audit by the tax authorities.

7. Contingencies

In accordance with its clearing agreements, the Company is responsible for indemnifying its clearing brokers against specified potential losses, in connection with acting as an agent of, or providing services to its clients, including losses the clearing brokers may sustain from carrying securities transactions introduced by the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes it is unlikely that it will have to make payments under these arrangements and, as such, has not recorded any contingent liability in the financial statement for these indemnifications.

From time to time, the Company could be involved in litigations arising in the normal course of business. Management is not aware, at this time, of any amount of reasonably foreseeable losses in connection with such litigations that are reasonably expected to be material to the Company's financial statement.

8. Employee Retirement Plan

The Company maintains a voluntary contributory employee retirement plan covering substantially all employees meeting certain minimum eligibility requirements. The Company makes matching contributions equal to 100% of each participant's pretax contribution up to \$9,750 per annum for the calendar year ending December 31, 2022.

As of December 31, 2022, \$210,783 of the contributions were payable and included in Accrued compensation and benefits on the Statement of Financial Condition.

Redburn (USA) LLC
Notes to Financial Statement
December 31, 2022

9. Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to compute its net capital under the alternative method, permitted by Rule 15c3-1, which requires that minimum net capital shall be the greater of 2% of aggregate debit items arising from customer transactions or \$250,000.

At December 31, 2022, the Company had net capital of \$6,095,559 which was \$5,845,559 in excess of the minimum net capital required.

10. Exemption from Rule 15c3-3

The Company does not carry any customer accounts and is exempt from SEC Rule 15c3-3 pursuant to the exemptive provision under sub-paragraph k(2)(ii) as all customer transactions are cleared through another broker dealer on a fully disclosed basis.

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: (1) receiving transaction-based compensation for identifying potential merger and acquisition opportunities for clients, referring securities transactions to other broker-dealers; and (2) participating in distributions of securities (other than firm commitment underwritings) in accordance with the requirements of paragraphs (a) or (b)(2) of Rule 15c2-4; and the Company (1) did not directly or indirectly receive, hold, or otherwise owe funds or securities for or to customers; (2) did not carry accounts of or for customers; and (3) did not carry PAB accounts (as defined in Rule 15c3-3) throughout the most recent fiscal year without exception.

11. Subsequent Events

The Company has evaluated subsequent events through the date on which the financial statement were available to be issued, and determined that no subsequent events have occurred that would require adjustments to or disclosure in the financial statement or accompanying notes.