

# **RED MOUNTAIN SECURITIES LLC**

## **Statement of Financial Condition**

**For the Period June 22, 2022 (Date of Approval)  
through December 31, 2022**

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

ANNUAL REPORTS  
FORM X-17A-5  
PART III

|   |
|---|
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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

FILING FOR THE PERIOD BEGINNING 06/22/2022 AND ENDING 12/31/2022  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: RED MOUNTAIN SECURITIES 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.)

205 DETROIT STREET, FLOOR 2

|                       |   |                           |
|-----------------------|---|---------------------------|
| <u>DENVER</u>         | <u>CO</u>                                   | <u>80206</u>              |
| <small>(City)</small> | <small>(No. and Street)<br/>(State)</small> | <small>(Zip Code)</small> |

PERSON TO CONTACT WITH REGARD TO THIS FILING

|                       |   |                                |
|-----------------------|---|--------------------------------|
| <u>BETTY TAO</u>      | <u>212-751-4422</u>                           | <u>btao@dfopartners.com</u>    |
| <small>(Name)</small> | <small>(Area Code - Telephone Number)</small> | <small>(Email Address)</small> |

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

Mazars USA LLP

|   |                       |                        |                           |
|---|-----------------------|------------------------|---------------------------|
| <small>(Name - if individual, state last, first, middle name)</small> |                       |                        |                           |
| <u>60 Crossways Park Drive West, Suite 301</u>                        | <u>Woodbury</u>       | <u>NY</u>              | <u>11797</u>              |
| <small>(Address)</small>  | <small>(City)</small> | <small>(State)</small> | <small>(Zip Code)</small> |

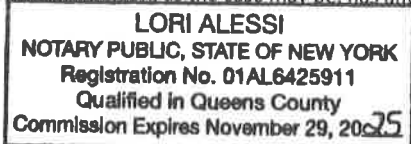
|   |   |
|---|---|
| <u>10/08/2003</u>   | <u>339</u>  |
| <small>(Date of Registration with PCAOB)(if applicable)</small> | <small>(PCAOB Registration Number, if applicable)</small> |

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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. Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

# OATH OR AFFIRMATION

I, Craig Collar, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Red Mountain Securities 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.



*Lori Alessi*

Notary Public

Signature:

*Craig W. Collar*

Title:

Co-Chief Executive Officer

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.

# **Red Mountain Securities LLC**

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## Report of Independent Registered Public Accounting Firm

To the Management and Sole-Member of  
Red Mountain Securities LLC

### Opinion on the Financial Statement

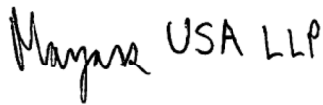
We have audited the accompanying statement of financial condition of Red Mountain Securities LLC, (the "Company"), as of December 31, 2022, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, 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  
February 21, 2023

# Red Mountain Securities LLC

## Statement of Financial Condition As of December 31, 2022

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### Assets

|                                   |    |                |
|-----------------------------------|----|----------------|
| Cash                              | \$ | 432,189        |
| Fee receivable                    |    | 30,000         |
| Prepaid expenses and other assets |    | 8,217          |
| Total assets                      | \$ | <u>470,406</u> |

### Liabilities and Member's Equity

|   |    |                |
|---|----|----------------|
| Due to related parties                      | \$ | 78,337         |
| Deferred revenue                            |    | 30,000         |
| Accounts payable and other accrued expenses |    | 28,250         |
| Total liabilities                           |    | <u>136,587</u> |

|                                       |    |                |
|---------------------------------------|----|----------------|
| Member's Equity                       |    | 333,819        |
| Total liabilities and member's equity | \$ | <u>470,406</u> |

The accompanying notes are an integral part of this financial statement.

# Red Mountain Securities LLC

## Notes to the Financial Statement December 31, 2022

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### **Note 1- Organization and Nature of Business**

Red Mountain Securities LLC, (the "Company") is a wholly owned subsidiary of Red Mountain Capital Advisors LLC (the "Parent") and is a Limited Liability Company formed under the laws of the State of Delaware on November 5, 2021. The liability of the Parent for the losses, debts, and obligations of the Company is limited to its capital contributions. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and was approved on June 22, 2022 as a member of the Financial Industry Regulatory Authority ("FINRA"). The Company's primary business activities include mergers and acquisitions ("M&A") and private placements in securities. The Company works exclusively with institutional investors.

### **Note 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 ("GAAP").

#### **Cash**

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue**

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC Topic 606") requires that an entity recognize revenue to depict 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 guidance requires an entity to follow a five step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved.

Revenue from contracts with customers includes M&A and private placement fees. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time; how to allocate transaction prices where multiple performance obligations are identified; when to recognize revenue based on the appropriate measure of the Company's progress under the contract; and whether constraints on variable consideration should be applied due to uncertain future events.

The Company had deferred revenue totaling \$30,000 from one contract as of December 31, 2022.

# Red Mountain Securities LLC

## Notes to the Financial Statement December 31, 2022

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### Note 2- Summary of Significant Accounting Policies (Continued)

#### Revenue (Continued)

##### Fee Receivable

|                                   |                         |
|-----------------------------------|-------------------------|
| Balance, June 22, 2022            | \$ -                    |
| Fee Receivable                    | 30,000                  |
| <b>Balance, December 31, 2022</b> | <b><u>\$ 30,000</u></b> |

##### Allowance for Credit Losses

The Company accounts for credit losses in accordance with ASC Topic 326, Financial Instruments – Credit Losses (“ASC 326”). ASC 326 impacts the impairment model for certain financial assets measured at amortized cost by requiring a current expected credit loss (“CECL”) methodology to estimate expected credit losses over the entire life of the financial asset, recorded at inception or purchase. Under the accounting update, the Company has the ability to determine there are no expected credit losses in certain circumstances.

The allowance for credit losses is based on the Company’s expectation of the collectability of financial instruments carried at amortized cost. The Company considers factors such as historical experience, credit quality, age of balances and current and future economic conditions that may affect the Company’s expectation of the collectability in determining the allowance for credit losses.

The Company had receivables from one client as of December 31, 2022, and did not record any allowances for credit losses at December 31, 2022. The Company concluded it did not have an expected credit loss based on the nature and contractual life or expected life of the financial asset.

##### Income Taxes

The Company is a single-member limited liability company that, to the extent permitted by law, is treated as a “disregarded entity” for federal and state income tax purposes. The Company is included in the U.S. federal income tax return for the Parent. The Company accounts for income taxes in accordance with ASC 740. ASC 740 provides guidance for the financial accounting and reporting for income taxes, and states that when a member of a consolidated group issues separate financial statements, that the consolidated amount of current and deferred tax expense be allocated to such member using a method that is systematic, rational and consistent with the broader principles of ASC 740.

On December 18, 2019, the FASB issued Accounting Standards Update (“ASU”) 2019-12, which modified ASC Topic 740, to simplify the accounting for income taxes. The ASU amends the guidance to specify that an entity is not required to allocate income tax expense to a legal entity that is both not subject to tax and disregarded by the taxing authority, but an entity may elect to do so. This guidance also clarifies that deferred taxes for single member limited liability companies in their standalone financial statements is no longer required.

ASC 740 also provides guidance regarding how certain tax positions should be recognized, measured, presented and disclosed in the financial statement. ASC 740 requires evaluation of tax positions taken or expected to be taken in the course of preparing the tax returns to determine whether the tax positions are “more likely than not” of being sustained by the applicable tax authority. The Company concluded that it does not have any unrecognized tax benefits or any additional tax liabilities for any uncertain positions as of December 31, 2022.



# Red Mountain Securities LLC

## Notes to the Financial Statement December 31, 2022

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### **Note 3- Net Capital and Minimum Capital Requirements**

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the "Rule") of the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital. In accordance with the Rule, the Company is required to maintain minimum net capital, as defined, equal to the greater of \$5,000 or 12.5% of aggregate indebtedness. At December 31, 2022, the Company had net capital of \$295,602 which exceeded the required minimum net capital of \$17,073 by \$278,529. Aggregate indebtedness at December 31, 2022 totaled \$136,587. The ratio of aggregate indebtedness to net capital was 0.46 to 1.

### **Note 4- Concentration of Credit Risk**

As of December 31, 2022, the Company had fee receivable of \$30,000 from one customer.

As of December 31, 2022, the Company maintained its cash balance with a financial institution. The cash balance in excess of the Federal Deposit Insurance Corporation insurance limits amounted to \$182,189. The Company has not experienced any losses in such account and believes it is not subject to any significant credit risk.

### **Note 5- Related Party Transactions**

The Company has an Administrative Services Agreement ("ASA") with its Parent dated June 22, 2022, whereby the Parent pursuant to the agreement, allocates a proportional share of the covered expenses to the Company.

Due to related parties on the statement of financial condition includes \$48,450 related to this agreement. The Parent is responsible for any amounts owed relating to costs incurred by it in providing services on behalf of the Company.

On June 22, 2022, the Company and Red Mountain Capital Partners LLC (the "Affiliate") entered into an ASA for office space. The Affiliate allocates a proportional share to the Company: 50% of the Los Angeles office and 25% of the Denver office. As of December 31, 2022, the Company owed the Affiliate \$29,887 which is included in due to related parties on the statement of financial condition.

The Company's operations and financial position could differ from those that would have been attained if these entities were unrelated.

### **Note 6 – Regulatory Matters**

As a regulated securities broker dealer, from time to time, the Company may be involved in legal proceedings and investigations. The Company has an ongoing FINRA review, but these regulatory assessments are normal in the ordinary course of business.

### **Note 7 - Subsequent Events**

Management of the Company has evaluated subsequent events and transactions that have occurred since December 31, 2022, through the date of this report and determined that there are no material events that would require disclosures in the Company's financial statement.