

# **Marathon Capital Markets, LLC**

Financial Report  
December 31, 2020

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Filed as PUBLIC information pursuant to Rule 17a-5(e)(3) under the  
Securities Exchange Act of 1934.

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

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

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Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/2020 AND ENDING 12/31/2020  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Marathon Capital Markets, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

200 W. Madison Street, Suite 3650

(No. and Street)

Chicago

IL

60606

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert J. Braasch, President and CCO

312-989-1342

(Area Code -- Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

RSM US LLP

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

One South Wacker Drive

Chicago

IL

60606

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant  
 Public Accountant  
 Accountant not resident in United States or any of its possessions

FOR OFFICIAL USE ONLY

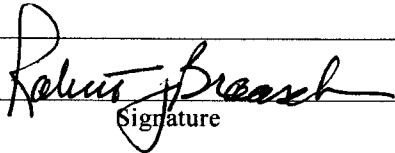
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential 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, Robert J. Braasch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Marathon Capital Markets, LLC, as of December 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

  
Signature

President and CCO

Title

\_\_\_\_\_  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) 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 Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

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**Insert Opinion Here**

**Marathon Capital Markets, LLC**

**Statement of Financial Condition  
December 31, 2020**

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**Assets**

Cash	\$ 12,687,976
Accounts receivable	4,733,127
Prepaid expenses	41,326
<b>Total assets</b>	<b><u>\$ 17,462,429</u></b>

**Liabilities and Member's Equity**

Liabilities	
Accounts payable	<u>174,038</u>
	174,038
Member's equity	<u>17,288,391</u>
<b>Total liabilities and member's equity</b>	<b><u>\$ 17,462,429</u></b>

See Notes to Financial Statement.

## **Marathon Capital Markets, LLC**

### **Notes to Financial Statements**

**Year Ended December 31, 2020**

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#### **Note 1. Nature of Operations and Significant Accounting Policies**

**Nature of operations:** Marathon Capital Markets, LLC (the Company) was organized in the State of Delaware and is a wholly owned subsidiary of Marathon Capital, LLC (the Parent). The Parent is the sole member of the Company and the operating agreement provides, among other things, that the term of the Company shall be perpetual until the Company is dissolved by the Parent.

The Company is a broker-dealer registered under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority (FINRA). The Company's activities include investment banking and related advisory services, primarily involving private placement offerings.

The Company does not handle customers' cash or securities and thus has no obligations under SEC Rule 15c3-3.

The Company is approved to engage in investment banking in Canada as an Exempt Market Dealer by its principal regulator, the Ontario Securities Commission. The Company is currently approved to conduct business in the provinces of Ontario, Nova Scotia and British Columbia.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue recognition:** The Company's investment banking and advisory fees generally consist of non-refundable fees for a specified deliverable (i.e., a business plan or fairness opinion), up-front work fees or ongoing retainer fees, and success fees due upon the successful closing of a transaction. Fees for specific deliverables, work fees, and retainers are generally fixed, while success fees may be fixed or variable. Investment banking and advisory fees, as well as related reimbursed client expenses, are recorded when the performance obligation for the transaction is satisfied under the terms of each contract and it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Generally, the performance obligation for specific deliverables is satisfied at a point in time upon delivery of the report, while the performance obligation for up-front work fees, ongoing retainer fees, and success fees is satisfied ratably over time during the term of each contract. Success fees are generally constrained until the completion of a transaction is imminent and are recognized at that point. Management's judgment is required in determining when a performance obligation has been met. Most fees are due and received shortly after the completion of the related performance obligation, with the exception of up-front work fees which are invoiced and received prior to completion of the performance obligation.

Accounts receivable from investment banking and advisory services are based on executed agreements which meet the revenue recognition criteria noted above. The Company may record a current expected credit loss, which is based upon a review of outstanding receivables and historical collection information. As of January 1, 2020, accounts receivable was \$2,704,273 and the Company determined no current expected credit loss was necessary. As of December 31, 2020, accounts receivable was \$4,733,127 and the Company determined no current expected credit loss was necessary.

There was \$202,917 revenue recognized in the year ending December 31, 2020 that was previously deferred. At December 31, 2020, there was no deferred revenue.

## **Marathon Capital Markets, LLC**

### **Notes to Financial Statements**

**Year Ended December 31, 2020**

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#### **Note 1. Nature of Operations and Significant Accounting Policies (continued)**

**Foreign currency translation:** The Company's functional currency and reporting currency is the United States dollar. Monetary assets and liabilities denominated in Canadian dollars are translated into United States dollars using the rate of exchange in effect at the end of the year. All transactions denominated in Canadian dollars are translated into United States dollars at the exchange rates in effect at the transaction date. The effect of foreign currency translation is insignificant to the financial statements taken as a whole.

**Income taxes:** The Company is a single member limited liability company and is treated as a disregarded entity for federal and state tax purposes. The Company does not file a federal or state tax return, but its taxable income is reported as part of the Parent's federal and state tax returns.

The Company has a tax sharing agreement with the Parent whereby it reimburses the Parent an estimated amount for federal, state, and local income taxes incurred from the results of the Company's operations in the Parent's consolidated tax returns. Although the Company does not prepare a stand-alone tax provision, it estimates that the Company's effective tax rate would be similar to the rate charged to it by the Parent were a stand-alone tax provision prepared.

The accounting standard on accounting for uncertainty in income taxes provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Parent's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year.

Management has determined there are no material uncertain income tax positions through December 31, 2020. The Parent and the Company are generally not subject to U.S. federal, state or local income tax examinations for tax years before 2017.

**Accounting Pronouncement Adopted:** On January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13. In June 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-03, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which amends several aspects of the measurement of credit losses on financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (CECL) model and amending certain aspects of accounting for purchased financial assets with deterioration in credit quality since origination. The Company's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of each customer's trade accounts receivables. Due to the short-term nature of such receivables, the estimated amount of accounts receivable that may not be collected is based on the aging of the accounts receivable balances and the financial condition of customers. The Company has completed their analysis related to the above noted financial assets within the scope of Accounting Standards Codification (ASC) 326 and identified no material current expected credit loss to be recorded.

#### **Note 2. Related-Party Transactions**

Pursuant to a service agreement between the Parent and the Company, the Company is invoiced various expenses. The Company is billed for transactional support and client expenses incurred by the Company related to fulfillment of investment banking and advisory contracts. The Company also pays a monthly management fee to the Parent whereby the Parent provides, among other things, office space and administrative support. In addition, the Parent pays certain expenses related to audit and regulatory matters on behalf of the Company that are reimbursed to the Parent. As noted above, the Company also makes estimated tax payments to the Parent. The Company generally settles intercompany invoices monthly.

## **Marathon Capital Markets, LLC**

### **Notes to Financial Statements**

**Year Ended December 31, 2020**

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#### **Note 3. Concentration of Credit Risk**

The Company maintains significant deposits in a bank. The Company has not experienced any losses in this account. Management believes the Company is not exposed to significant credit risk.

#### **Note 4. Regulatory Requirements**

The Company is subject to the SEC Uniform Net Capital Rule (SEC Rule 15c3-1). Under this rule, the Company is required to maintain net capital of \$100,000, as defined. The rule also requires that the ratio of aggregate indebtedness to net capital, both as defined, not to exceed 15 to 1, and provides that equity capital may not be withdrawn if the resulting ratio would exceed 10 to 1.

Net capital and aggregate indebtedness change from day to day, as of December 31, 2019, the Company had net capital and a net capital requirement of \$13,839,214 and \$100,000, respectively. The Company's ratio of aggregate indebtedness to net capital ratio was 0.01 to 1 as of December 31, 2020. The rule may effectively restrict distributions to the Parent.

As an Exempt Market Dealer, the Company is also subject to a 50,000 Canadian Dollar excess working capital requirement by the Ontario Securities Commission and was in compliance with the requirement as of December 31, 2020.

#### **Note 5. Indemnifications**

In the normal course of business, the Company enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects the risk of future obligation under these indemnifications to be remote, and has not recorded a contingent liability in the financial statements for these indemnifications.

#### **Note 6. Subsequent Events**

Management has evaluated the possibility of subsequent events existing in the Company's financial statements through the date the financial statements were issued. Management has determined that there are no material events or transactions that would affect the Company's financial statements or required disclosure in the Company's footnotes to the financial statements through this date.