

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

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

**OMB APPROVAL**

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**FACING PAGE**

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 01/01/16 AND ENDING 12/31/16  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **HWJ Capital Partners II, LLC**

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

**7400 North Federal Highway, Suite A5**

(No. and Street)

**Boca Raton**

**Florida**

**33487**

(City)

(State)

(Zip Code)

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

**Joseph W. Harch**

**561-226-6199**

(Area Code – Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Daszkal Bolton LLP**

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

**2401 NW Boca Raton Boulevard**

**Boca Raton**

**Florida**

**33431**

(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 JOSEPH W. HARCH, swear (or affirm) that, to my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **HWJ Capital Partners II, LLC**, as of **December 31, 2016**, 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:



Notary Public

MANAGING MEMBER  
Joseph W. Harch  
Signature  
Title

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

- X (a) Facing page
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- X (d) Statement of Changes in Financial Condition.
- X (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- X (g) Computation of Net Capital.
- X (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- X (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.
- X (l) An Oath or Affirmation.
- X (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).**

**HWJ CAPITAL PARTNERS II, LLC**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**  
**TOGETHER WITH**  
**REPORT OF INDEPENDENT REGISTERED**  
**PUBLIC ACCOUNTING FIRM**

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Report of Independent Registered Public Accounting Firm

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**Report of Independent Registered Public Accounting Firm**

To the Managing Member  
HWJ Capital Partners II, LLC  
Boca Raton, Florida

We have audited the accompanying statement of financial condition of HWJ Capital Partners II, LLC (the "Company") at December 31, 2016, and the related statements of operations, changes in member's equity and cash flows for the year then ended. These financial statements are the responsibility of Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The following supplemental schedules listed in the accompanying table of contents, have been subjected to audit procedures performed in conjunction with the audit of Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Daszkal Bolton LLP*

Boca Raton, Florida  
February 21, 2017

**HWJ Capital Partners II, LLC**  
**Statement of Financial Condition**  
**December 31, 2016**

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**ASSETS**

Current assets:

Cash and cash equivalents	\$	189,089
Accounts receivable from related party		5,457
Prepaid expenses		<u>1,627</u>
Total current assets		196,173

Deposits		<u>759</u>
Total assets	\$	<u>196,932</u>

**LIABILITIES AND MEMBER'S EQUITY**

Current liabilities:

Accounts payable and accrued expenses	\$	<u>12,856</u>
Total current liabilities		<u>12,856</u>

Member's equity		<u>184,076</u>
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Total liabilities and member's equity	\$	<u>196,932</u>
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See accompanying notes to financial statements.

**HWJ Capital Partners II, LLC**  
**Statement of Operations**  
**For the Year Ended December 31, 2016**

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Revenues:

Fees for investment advisory services	\$ 40,675
Total revenues	<u>40,675</u>

Expenses:

Professional fees	32,000
Clearing charges	13,180
Office sharing expense	3,936
Regulatory fees	2,340
Fidelity bond and SIPC expense	598
Other	<u>158</u>
Total expenses	<u>52,212</u>

Net loss	<u>\$ (11,537)</u>
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See accompanying notes to financial statements.

**HWJ Capital Partners II, LLC**  
**Statement of Changes in Member's Equity**  
**For the Year Ended December 31, 2016**

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	<u>Member's Equity</u>
Balance, December 31, 2015	\$ 195,613
Net loss	<u>(11,537)</u>
Balance, December 31, 2016	<u>\$ 184,076</u>

See accompanying notes to financial statements.



**HWJ Capital Partners II, LLC**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

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Cash flows from operating activities:	
Net loss	\$ (11,537)
Changes in operating assets and liabilities:	
Increase in prepaid expenses	(478)
Decrease in related party receivable	310
Decrease in deposits	100
Increase in accounts payable and accrued expenses	<u>9,680</u>
Net cash used in operating activities	<u>(1,925)</u>
 Net change in cash and cash equivalents	 (1,925)
 Cash and cash equivalents, beginning of year	 <u>191,014</u>
 Cash and cash equivalents, end of year	 <u>\$ 189,089</u>

See accompanying notes to financial statements.

**NOTE 1 – NATURE OF BUSINESS**

HWJ Capital Partners II, LLC (the "Company") (a Florida Limited Liability Company) is a broker-dealer located in Boca Raton, Florida. The Company is registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Company prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Use of Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

The Company considers all highly liquid debt instruments with original maturities of three months or less when acquired to be cash equivalents.

**Revenue Recognition – Investment Advisory Fees**

The Company entered into a fee sharing agreement with a related party for fees on specific investor accounts (see Note 4). Revenue for investment advisory fees is recognized as work is performed and amounts are earned. The Company considers amounts to be earned once evidence of an arrangement has been obtained, services are delivered, fees are fixed or determinable and collectability is reasonably assured.

**Income Taxes**

The Company is not a taxpaying entity for federal income tax purposes therefore, no federal income tax expense has been recorded in the financial statements. Taxable results are passed through to member of the Company.

**Date of Management Review**

The Company evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through February 21, 2017, the date the financial statements were available for issue.

**NOTE 3 – NET CAPITAL REQUIREMENT**

The Company, as a registered broker-dealer and as a member of FINRA, must comply with the Net Capital rule of the Securities and Exchange Commission. The Company has a capital requirement of the greater of \$100,000 or 6 2/3% of aggregate indebtedness. The Company had net capital as computed under Rule 15c3-1 of \$176,233, which is above the \$100,000 amount required to be maintained at December 31, 2016.



**NOTE 4 – RELATED PARTIES**

The Company's member also owns Harch Capital Management, LLC ("HCM") (a Florida Limited Liability Company). HCM is a registered investment advisor under the Investment Advisors Act of 1940. HCM provides the use of employees, office space, secretarial and services to the Company in accordance with an office sharing agreement. The Company's office sharing expenses were \$3,936 for the year ended December 31, 2016. Operating results of the Company might be significantly different if the companies were autonomous. HCM owes the Company \$5,457 at year end due to clearing fees paid by the Company on behalf of HCM, net of office sharing expenses owed to HCM. HCM also has a fee sharing agreement with the Company on specific investor accounts. HCM paid the Company \$40,675 for its share of fees earned for the year ended December 31, 2016.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company measures the financial assets in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets, or interest in open-end mutual funds that allow a company to sell its ownership interest back at net asset value ("NAV") on a daily basis. Valuations are obtained from readily available pricing sources for market transactions involving identical assets, liabilities or funds.
- Level 2 – Valuations for assets and liabilities traded in less active dealer, or broker markets, such as quoted prices for similar assets or liabilities or quoted prices in markets that are not active. Level 2 includes U.S. Treasury, U.S. government and agency debt securities, and mortgage-backed securities. Valuations are usually obtained from third party pricing services for identical or comparable assets or liabilities.
- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, such as option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

The availability of observable inputs can vary from instrument to instrument and in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

The following table shows the Company's financial instruments adjusted cost, gross unrealized gains, gross unrealized losses and fair value by significant investment category as of December 31, 2016.

	<u>Adjusted Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash and Cash Equivalents	\$ 189,089	\$ -	\$ -	\$ -	\$ 189,089	\$ -
Total	<u>\$ 189,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 189,089</u>	<u>\$ -</u>

**NOTE 6 – COMMITMENTS**

The Company maintains a Fully Disclosed Clearing Agreement (the "Agreement") with COR Clearing, LLC (previously named Legent Clearing, LLC). The initial term of the Agreement was effective through May 6, 2013 and calls for automatic renewals for successive periods equal to the initial term unless terminated by either party within ninety (90) days prior to the expiration of the initial or renewal term. Under the Agreement, early termination fees apply, including the monthly fees due on the remaining term of the Agreement.

Refer to Note 3 with respect to FINRA Regulatory requirements.

**NOTE 7 – CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty. The Company's cash equivalents are held in accounts at a brokerage firm.

The Company maintains a bank account at one financial institution of which the balance is insured by the Federal Deposit Corporation ("FDIC") up to \$250,000. The Company also maintains accounts held at a brokerage firm of which the balance is insured by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 for securities and \$250,000 for cash and cash equivalents. At December 31, 2016, there were no amounts in excess of the FDIC and SIPC insured limits.

## **SUPPLEMENTARY INFORMATION**



**HWJ Capital Partners II, LLC****Schedule I - Computation and Reconciliation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
December 31, 2016**

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## Net capital:

Total member's equity	\$	184,076
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## Non-allowable assets:

Central Registry Depository (CRD) Deposit	(759)
Prepaid expenses	(1,627)
Accounts receivable from related party	<u>(5,457)</u>
Total non-allowable assets	<u>(7,843)</u>

Haircuts on securities	<u>-</u>
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Total net capital	<u>176,233</u>
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Minimum net capital required - 6 2/3% of aggregate indebtedness included in the balance sheet or \$100,000, whichever is greater	<u>100,000</u>
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Excess net capital	<u>76,233</u>
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Aggregate indebtedness as included in the Statement of Financial Condition	<u>12,856</u>
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Ratio of aggregate indebtedness to net capital	<u>0.0729</u>
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There are no material differences between the computation of net capital per the FOCUS report at December 31, 2016, as compared to the computation of net capital as shown above.

**HWJ Capital Partners II, LLC**  
**Schedule II – Supplementary Information Pursuant to**  
**Rule 17a-5 of the Securities Exchange Act of 1934**  
**December 31, 2016**

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HWJ Capital Partners II, LLC is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 in that the Company's activities are limited to those set for in the conditions for the exemptions appearing in the paragraph (k)(2)(ii) of the Rule.

HWJ Capital Partners II, LLC is claiming exemption due to the fact that they do not clear securities transactions or take in customer funds. They do not have a retail business and do not have "customers".

Therefore, the following reports are not presented:

- A) Computation for Determination of Reserve Requirement under Rule 15c3-3.
- B) Information Relating to the Possession or Control Requirements under Rule 15c3-3.

**SIPC-7**

(33-REV 7/10)

**SECURITIES INVESTOR PROTECTION CORPORATION**  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

**General Assessment Reconciliation**For the fiscal year ended **12/31/2016**

(Read carefully the instructions in your Working Copy before completing this Form)

**SIPC-7**

(33-REV 7/10)

**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

16\*16\*\*\*\*\*2087\*\*\*\*\*MIXED AADC 220  
66560 FINRA DEC  
HWJ CAPITAL PARTNERS II LLC  
7400 N FEDERAL HWY STE A5  
BOCA RATON FL 33487-1677

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

2. A. General Assessment (item 2e from page 2) \$ 69

B. Less payment made with SIPC-6 filed (exclude interest) ( - )

Date Paid

C. Less prior overpayment applied (          )

D. Assessment balance due or (overpayment)         

E. Interest computed on late payment (see instruction E) for          days at 20% per annum         

F. Total assessment balance and interest due (or overpayment carried forward) \$ 69

G. PAYMENT: ☒ the box

Check mailed to P.O. Box ☒ Funds Wired ☐

Total (must be same as F above)

\$ 69

H. Overpayment carried forward

\$(          )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

\* HWJ Capital Partners II, LLC  
(Name of Corporation, Partnership or other organization)  
Joseph W. Hunt  
(Authorized Signature)  
Managing Member  
(Title)

Dated the 17 day of January, 20 17.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

**SIPC REVIEWER**

Dates:

Postmarked

Received

Reviewed

Calculations         Documentation         Forward Copy         

Exceptions:

Disposition of exceptions:

# DETERMINATION OF "SIPC NET OPERATING REVENUES" AND GENERAL ASSESSMENT

Amounts for the fiscal period  
beginning 1/1/2016  
and ending 12/31/2016

Item No.	Eliminate cents
2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)	\$ <u>40,675</u>
2b. Additions:	
(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.	_____
(2) Net loss from principal transactions in securities in trading accounts.	_____
(3) Net loss from principal transactions in commodities in trading accounts.	_____
(4) Interest and dividend expense deducted in determining item 2a.	_____
(5) Net loss from management of or participation in the underwriting or distribution of securities	_____
(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities	_____
(7) Net loss from securities in investment accounts.	_____
Total additions	_____
2c. Deductions:	
(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.	_____
(2) Revenues from commodity transactions.	_____
(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.	_____ <u>13,180</u>
(4) Reimbursements for postage in connection with proxy solicitation.	_____
(5) Net gain from securities in investment accounts.	_____
(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.	_____
(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).	_____
(8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):	_____
(Deductions in excess of \$100,000 require documentation)	
(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.	\$ _____
(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).	\$ _____
Enter the greater of line (i) or (ii)	
Total deductions	_____ <u>13,180</u>
2d. SIPC Net Operating Revenues	\$ <u>27,495</u>
2e. General Assessment @ .0025	\$ <u>69</u>

(to page 1, line 2.A)