

# **StormHarbour Securities LP**

(A Delaware limited partnership)

**Financial Statements and supplementary schedule  
pursuant to Rule 17a-5 under the Securities  
Exchange Act of 1934.**

**December 31, 2017**

This report is deemed CONFIDENTIAL in accordance with Rule 17-a-5(e)(3) under the Securities Exchange Act of 1934. A Statement of Financial Condition, bound separately has been filed with the Securities and Exchange Commission simultaneously herewith as a public document.

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

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

OMB APPROVAL

OMB Number:  
Expires:  
Estimated average burden  
Hours per response.....12.00

SEC FILE NUMBER

8-46999

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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

01/01/2017

AND ENDING

12/31/2017

MM / DD / YY

MM / DD / YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

STORMHARBOUR SECURITIES LP

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

452 Fifth Ave – 29<sup>th</sup> Floor

(No. and Street)

NEW YORK

NY

10018-0034

(City)

(State)

(Zip Code)

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

GREGORY CUGLIARI

212-905-2583

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

PRICEWATERHOUSE COOPERS LLP

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

300 MADISON AVENUE

NEW YORK

NY

10017-0034

(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)

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## OATH OR AFFIRMATION

I, GREGORY CUGLIARI, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STORMHARBOUR SECURITIES LP, as of DECEMBER 31, 20, 17, 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

CFO

Title

Evan R. Berman  
Reg# - 02BE6316888  
New York county  
Term - 12/22/14 - 12/22/18



Notary Public, State of New York

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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Operations
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (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.
- ☒ (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).

# StormHarbour Securities LP

(A Delaware Limited Partnership)

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December 31, 2017

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## **Report of Independent Registered Public Accounting Firm**

To the Management of StormHarbour Securities LP:

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of financial condition of StormHarbour Securities LP as of December 31, 2017, and the related statements of operations, changes in partners' capital and cash flows for the year then ended, including the related notes (referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements 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 of these financial statements 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 statements are 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 statements, 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 statements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

### ***Supplemental Information***

The accompanying Schedule I is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. 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 Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.



PricewaterhouseCoopers LLP

February 28, 2018

We have served as the Company's auditor since 2009.

**StormHarbour Securities LP**  
(A Delaware limited partnership)  
**Statement of Financial Condition**  
**December 31, 2017**

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**Assets**

Cash and cash equivalents	\$ 727,342
Receivable from brokers, dealers and clearing organizations, net	483,247
Deposits with clearing organizations	150,000
Securities owned, at fair value	67,599
Trade receivables, net	1,629,116
Receivable from Parent, net	10,181,422
Deferred tax asset (Receivable from Parent)	80,124
Total assets	<u>\$ 13,318,850</u>

**Partners' capital**

Total partners' capital	<u>13,318,850</u>
	<u>\$ 13,318,850</u>

The accompanying notes are an integral part of the financial statements.  
[CONFIDENTIAL]

# StormHarbour Securities LP

(A Delaware limited partnership)

## Statement of Operations

Year Ended December 31, 2017

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### Revenues

Commissions	\$ 13,791,962
Capital markets advisory fees	2,108,000
Trading gains and losses	1,384,571
Interest Income	69,991
Total revenues	<u>\$ 17,354,524</u>

### Expenses

Employee compensation	5,305,727
Commissions expense	6,213,596
Rent and occupancy	1,449,841
Communications	1,822,390
Professional fees	657,599
Depreciation and amortization	442,117
Clearing charges	156,263
Insurance	170,327
Other expenses	192,053
Total expenses	<u>\$ 16,409,913</u>
Net income before provision for income taxes	<u>\$ 944,611</u>
Provision for income taxes	183,297
Net income	<u>\$ 761,314</u>

The accompanying notes are an integral part of the financial statements.  
[CONFIDENTIAL]



**StormHarbour Securities LP**  
(A Delaware limited partnership)  
**Statement of Changes in Partners' Capital**  
**Year Ended December 31, 2017**

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Partners' Capital at January 1, 2017	\$ 12,699,536
Prior period adjustment - Tax expense	\$ (142,000)
Amended Partners' Capital at January 1, 2017	<u>\$ 12,557,536</u>
Net income	761,314
Partners' Capital at December 31, 2017	<u>\$ 13,318,850</u>

The accompanying notes are an integral part of the financial statements.  
[CONFIDENTIAL]

# StormHarbour Securities LP

(A Delaware limited partnership)

## Statement of Cash Flows

Year Ended December 31, 2017

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### Cash flows from operating activities

Net income \$ 761,314

Adjustments to reconcile net income to net cash provided by operating activities:

Reduction in trade payable (141,720)

### Change in assets and liabilities

Increase in receivable from Parent \$ (9,716,420)

Decrease in receivable from brokers, dealers and clearing organizations 879,992

Decrease in securities owned, at fair value, net 78,237

Decrease in trade receivables, net 2,237,634

Decrease in deferred tax asset (receivable from Parent) (56,078)

Decrease in trade payables (369,780)

Net cash used for operating activities \$ (6,326,821)

Net cash decrease for the year \$ (6,326,821)

### Cash and cash equivalents

Beginning of year 7,054,163

End of year \$ 727,342

### Supplemental information:

Cash paid during the year for interest -

Cash paid during the year for taxes -

The accompanying notes are an integral part of the financial statements.

[CONFIDENTIAL]

**StormHarbour Securities LP**  
(A Delaware Limited Partnership)  
**Notes to Financial Statements**  
**December 31, 2017**

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**1. Organization and Nature of Business**

StormHarbour Securities LP (the "Company"), a Delaware limited partnership, was formed on April 3, 2009 and is a registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA").

The Company primarily engages in trading of corporate debt securities, US government agency securities, asset backed securities and other receivables. The Company acts primarily as an agent or on a riskless principal basis and, to a lesser extent, maintains proprietary positions and trades for its own account. The Company may act as an introducing broker that provides brokerage services to both affiliated and nonaffiliated entities. The Company does not maintain custody of any assets of its customers, and as such, it claims exemption from SEC rule 15c3-3 pursuant to section K(2)(ii) of that rule. The Company earns fees from advisory services for merger-and-acquisition, restructuring, as well as from securities offerings as an underwriter or agent.

The Company was acquired by StormHarbour Partners LP ("SHP" or the "Parent"), a Delaware limited partnership, on July 31, 2009. SHP holds a 99% limited partner interest in the Company. StormHarbour Securities GP LLC ("SHLLC"), a Delaware limited liability company holds a 1% general partner interest in the Company. SHP is responsible for providing certain administrative services to the Company under the terms of the administrative services agreement.

**2. Revision of previously filed financial information**

During the year ended December 31, 2017, the Company determined that the 2016 tax provision was improperly calculated. In order to correct the error, the Company has revised the prior year financial statements. As the prior period financial statements have not been presented herein, the revision has been effected as an adjustment to the opening Partners' Capital balance. Management evaluated the errors and determined that the adjustment was not material to the previously filed financial statements. Refer to the table below for a summary of the revision:

	As Originally Reported (2016)	Adjustment	As Revised (2016)
Provision for income taxes	526,561	\$142,000	668,561
Net income	\$4,814,286	(\$142,000)	\$4,672,286
Receivable from Parent, net	607,002	(\$142,000)	465,002
Total assets	\$13,211,036	(\$142,000)	\$13,069,036
Partners' capital	12,699,536	(\$142,000)	12,557,536



# StormHarbour Securities LP

(A Delaware Limited Partnership)

## Notes to Financial Statements

December 31, 2017

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### 3. Significant Accounting Policies

#### **Basis of Presentation**

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### **Use of Estimates**

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

#### **Securities Transactions**

Customer accounts are held by clearing brokers. The Company does not carry customer accounts or hold funds or securities for customers. The Company operates as an introducing broker on a fully disclosed basis.

#### **Commission Revenue**

The Company engages in the buying and selling of securities on behalf of its customers as an agent or on a riskless principal basis. Commission revenue and related clearing expenses are recorded on a trade date basis.

#### **Capital Markets Advisory Fees**

Investment banking fee revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Capital Markets Advisory Fees also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

#### **Securities Owned**

Securities owned are recorded at fair value, which is the price that would be received upon sale of an asset or paid upon transfer of a liability (i.e. - the exit price) in an orderly transaction between market participants at the measurement date. Proprietary transactions, including gains and losses, in regular-way trades are recorded on a trade date basis, as if they had settled. Refer to note 10 for further information about the determination of fair value.

#### **Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated as of year-end exchange rates. While income statement accounts are translated with actual spot rates as of the date of the transaction. Gains or losses resulting from foreign currency transactions are included in other expenses in the statement of operations.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**StormHarbour Securities LP**  
(A Delaware Limited Partnership)  
**Notes to Financial Statements**  
**December 31, 2017**

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**Interest Income**

Interest income is recognized as revenue on the accrual basis when a reasonable expectation of collection exists.

**Income Taxes**

The Company and its affiliates are included in the consolidated federal and state income tax return filed by the Parent. Federal and state income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company recognizes and measures its unrecognized tax benefits in accordance with ASC 740, Income Taxes. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. Interest and penalties on uncertain tax positions are recognized in other expenses.

**4. Transactions with Related Parties**

The Company is involved in financing and other transactions, and has related party balances with affiliates. The following table sets forth the Company's related party assets and liabilities as of December 31, 2017:

	<u>December 31, 2017</u>
Assets	
Receivable from Parent	\$ 10,181,422
Deferred tax asset	\$ 80,124

The receivable from Parent is subject to the conditions of the Company's Limited Partnership Agreement and is repayable upon demand. On February 28, 2018, the Company forgave \$4,500,000 of the receivable from Parent through a non-cash distribution of Partners Capital to the Parent.

Unincorporated Business Tax ("UBT") Receivable is included in the Receivable from Parent on the statement of financial condition. Refer to footnote 8 for further details.

During the year ended December 31, 2017, the Parent incurred and allocated to the Company \$9,999,800 in expenses ("Parent Allocated Expenses") pursuant to both an administrative services agreement and master intercompany agreement. Parent Allocated Expenses comprised direct administrative, general and operating expenses, including compensation and benefits, occupancy and equipment costs, communications, data processing and other expenses. The Company's tax expense has also been allocated from the Parent.

The Parent also acts as the payment agent for commissions incurred by the Company which totaled \$6,213,596.



**StormHarbour Securities LP**  
**(A Delaware Limited Partnership)**  
**Notes to Financial Statements**  
**December 31, 2017**

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The Company also acted as agent on securities transactions for affiliated entities. During the year affiliated entities were allocated \$2,421 pursuant to revenue sharing agreements related to these transactions.

The Company from time to time, purchases and sell securities with affiliates. Commissions earned from these transactions during 2017 were not material to the financial statements.

The Company assists other entities within the group in the purchase of proprietary securities. In exchange the Company receives a share of the gains in the securities. The Company is also responsible to make good to the affiliate its share of losses. For the year ended December 31, 2017, the Company did not enter into any of these transactions.

The Company assists affiliates with security transactions and also assists with providing advisory services to clients for merger-and-acquisition, restructuring, and securities offerings. During the year, the company received \$88,872 from affiliates for securities transactions and \$110,000 from affiliates for advisory services.

The Company incurred clearing costs during the year of \$156,263, none of which were allocated to affiliates.

The following table sets forth the Company's related party revenue and expenses for the year including transactions where the Parent acted as a payment agent on the company's behalf or revenue was allocated to the Company for services provided to the affiliates:

	<b>For the year ended December 31, 2017</b>
<b>Revenues</b>	
Capital markets advisory fees	\$ 110,000
Trading gains and losses	88,872
Total revenues	<u>\$ 198,872</u>
<b>Expenses</b>	
Employee compensation	\$ 5,305,727
Commissions expense	6,213,596
Rent and occupancy	1,449,841
Communications	1,822,390
Professional fees	657,599
Depreciation and amortization	442,117
Insurance	170,327
Other expenses	151,799
Total expenses	<u>\$ 16,213,396</u>

The above transactions are settled through intercompany accounts periodically throughout the year.

**5. Receivable From and Payable to Clearing Organizations**

As of December 31, 2017, receivables from clearing organizations totaled \$483,247 and there was no payable.

**StormHarbour Securities LP**  
(A Delaware Limited Partnership)  
**Notes to Financial Statements**  
**December 31, 2017**

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**6. Trade Receivables**

Trade receivables consist of capital markets advisory fees receivable. As of December 31, 2017, receivables totaled \$1,629,116. Of this amount, \$1,560,000 relates to services rendered to one customer and in January 2018, the Partnership received \$1,560,000 in full settlement of the receivable.

The Company may from time to time receive investment banking fees over a period in excess of one year. The revenue and receivable is recorded at its present value using an effective interest rate based on an approximation of the debtor's financing rate. There were no such receivables as of December 31, 2017.

**7. Deposits with Clearing Organizations**

Under the terms of the clearing agreements between the Company and the clearing organizations, the Company is required to maintain a certain level of cash on deposit with the clearing organizations. Should the clearing organizations suffer a loss due to a failure of a customer of the Company to complete a transaction, the Company is required to indemnify the clearing organizations. As of December 31, 2017, the Company has recorded no liabilities with regard to this obligation.

As of December 31, 2017, the total deposits held at the clearing organizations totaled \$150,000.

**8. Income Taxes**

The Company has accrued a provision for its share of New York City's Unincorporated Business Tax (NYC UBT) based on the separate return method accepted under ASC 740, "Accounting for Income taxes" ("ASC 740"). The Company is a disregarded entity for federal and state income tax purposes and therefore, ultimately SHP and, in turn SHP's partners are individually liable for their share of the federal and state income taxes.

For the year ended December 31, 2017, the Company incurred a tax expense of \$183,297 for NYC UBT. The difference between the income tax expense at the expected tax rate and the statutory tax rate is mainly due to guaranteed compensation to the Company's Partners. No NYC UBT amounts were paid by the Company to the tax authority since it files as a component of the consolidated NYC UBT return by its parent SHP. The components of the net tax expense reflected in the statement of operations are set forth below:

	<b>Period Ending December 31, 2017</b>
Current tax expense	\$ 239,375
Deferred tax expense	(56,078)
Total provision for income taxes	<u>\$ 183,297</u>

At the balance sheet date, the Company had a deferred tax asset of \$80,124. The Company does not have any uncertain tax positions recorded as of December 31, 2017.



**StormHarbour Securities LP**  
(A Delaware Limited Partnership)  
**Notes to Financial Statements**  
**December 31, 2017**

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**9. Credit and Concentration Risk**

The Company is exposed to credit risk on trading receivable from clearing brokers. Such credit risk is generally limited to the amount of receivable from brokers, dealers and clearing organizations.

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. It is the Company's policy to review, as necessary, the credit rating of the counterparty. As of December 31, 2017, 96% of the trade receivables was receivable from one counterparty and the Partnership received the full settlement of the counterparty's receivable in January 2018.

The Company maintains its cash in bank depository accounts and at clearing organizations, which at times may exceed the federally insured limits. The Company selects depository institutions and clearing organizations based, in part, upon management's review of the financial stability of the institutions. To date, the Company has experienced no losses in its depository accounts or clearing firm payments. At December 31, 2017, 100% of the Company's cash and cash equivalents were held at one institution and 100% of the Company's receivables from clearing brokers were from one institution.

**10. Fair Value Measurements**

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access
- Level 2 Inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 Are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data.)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics,

# StormHarbour Securities LP

(A Delaware Limited Partnership)

## Notes to Financial Statements

December 31, 2017

and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Company. The Company considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Company's perceived risk of that instrument

Residential Mortgage Backed Securities (RMBS) and asset backed securities may be valued based on price or spread data obtained from observed transactions or independent external parties such as vendors or brokers. When position-specific external price data are not observable, the fair value determination may require benchmarking to similar instruments and/or analyzing expected credit losses, default, and recovery rates. In evaluating the fair value of each security, the Company considers security collateral-specific attributes including payment priority, credit enhancement levels, type of collateral, delinquency rates, and loss severity. In addition, for RMBS borrowers, Fair Isaac Corporation scores and the level of documentation for the loan are also considered. Market standard models, such as Intex, Trepp, or others, may be deployed to model the specific collateral composition and cash flow structure of each transaction. Key inputs to these models are market spreads, forecasted credit losses, default and prepayment rates for each asset category. Valuation levels of RMBS indices are also used as an additional data point for benchmarking purposes or to price outright index positions. Gains and losses are included within trading gains and losses in the statement of operations.

		Fair Value Measurements		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Asset backed securities		\$ -	\$ -	\$ 67,599
		\$ -	\$ -	\$ 67,599

	Beginning Balance	Net Gains and Losses	Purchases	Settlements	Ending Balance
<b>Assets</b>					
Asset backed securities	\$ 145,836	\$ 1,384,571	\$ 664,353	\$ (2,127,161)	\$ 67,599
	\$ 145,836	\$ 1,384,571	\$ 664,353	\$ (2,127,161)	\$ 67,599

The unrealized loss recognized in trading gains & losses in the statement of operations for the year ended December 31, 2017 related to securities still held was \$239,422.

There were no transfers between levels during the year.



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**December 31, 2017**

(in US Dollars)

Quantitative Information about Level 3 Fair Value Measurements				
Financial Instrument	Fair Value December 31, 2017	Valuation Technique(s)	Inputs	Range/%
Zero Factor/Non-Cashflowing RMBS	\$ 37,395	Scenario analysis - legal proceedings	Discount rate	0-25+% binary outcome
Residential Mortgage Backed Securities	30,073	Discounted net asset value & cashflow analysis	Discount rate	7-10%
Student Loan ABS	131	Discounted net asset value & cashflow analysis	Discount rate	2-4%
	<u>\$ 67,599</u>			

The carrying amounts of cash and cash equivalents, receivable from brokers, dealers and clearing organizations, deposits with clearing organizations, trade receivables, net, receivable from parent and trade payables approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of each of these balances would be categorized as level II in the fair value hierarchy as there are no significant unobservable inputs to their fair value estimates.

## 11. Regulatory Requirements

The Company is a registered securities broker dealer with the Securities and Exchange Commission and accordingly, subject to the SEC's Uniform Net Capital Rule 15c3-1 (the "Rule"), which requires the maintenance of minimum net capital of greater of \$100,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2017, the Company had net capital of \$1,360,589 which was \$1,260,589 in excess of its required net capital of \$100,000.

Since the Company claims an exemption under Rule 15c3-3(k)(2)(ii), the Company is not required to calculate a reserve requirement and segregate funds for the benefit of customers. The Company clears securities transactions on a fully disclosed basis and promptly transmits all customers' funds and securities to a clearing organization. The clearing organization carries the accounts, and maintains and preserves such books and records pursuant to rules 17a-3 and 17a-4.

## 12. Commitments and Contingencies

From time to time, the Company may be involved in litigation relating to claims arising in the ordinary course of business. Except as disclosed in the FINRA Investigation which was commenced in 2012, management believes that there are no claims or matters pending against the Company which would have a material impact on the Company's financial position, results of operations or cash flows.

The Company is subject to both routine and unscheduled regulatory examinations of their respective businesses and investigations of securities industry practices by governmental agencies and self-regulatory organizations. In recent years, securities firms have been subject to increased scrutiny and regulatory enforcement activity. Regulatory investigations can result in substantial fines being imposed on the Company. In the ordinary course of business, the Company receives inquiries and subpoenas from the SEC, FINRA, state regulators and other regulatory organizations. The Company does not always know the purpose behind these communications or the status or target of any related investigation, however it is possible that any such investigations could result in disciplinary actions, including monetary sanctions, and the Company being cited for regulatory deficiencies.

In 2012, FINRA commenced an investigation of the Company into possible violations of FINRA rules and of the U.S. securities laws in connection with the purchase and sale of certain non-investment grade asset backed securities by the Company. The investigation concerns whether, and if so the extent to which the Company made misstatements to counterparties and the impact



# **StormHarbour Securities LP**

(A Delaware Limited Partnership)

## **Notes to Financial Statements**

**December 31, 2017**

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and the legal consequences of such misstatements. No litigation has been filed nor has an SEC notice been issued. Management has concluded that the probability of an unfavorable outcome and the amount of a potential loss relating to this investigation cannot be reasonably estimated.

The Company recognizes a liability for a contingency when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company accrues the most likely amount of such loss, and if such amount is not determinable, then the minimum in the loss range is accrued. The determination of the outcome and loss estimates requires significant judgment on the part of management. To date, the Company is unable to determine whether any loss is probable or even reasonably possible or to estimate the amount of any loss or the size of any range of loss. Except as disclosed in the FINRA matter, at the present time management does not expect that, in the aggregate, the results of any regulatory exams, investigations or similar reviews (both formal and informal) will have a material adverse effect on the Company's results of operations, cash flows or financial position.

### **13. Subsequent Events**

On February 28, 2018, in accordance with a resolution of the Governance Group, the Company resolved to forgive \$4,500,000 of its receivable from Parent through a non-cash distribution.

## **Supplementary Schedule**

# StormHarbour Securities LP

(A Delaware limited partnership)

## Computation of Net Capital Under SEC Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2017

Schedule I

Partners' Capital	\$ 13,318,850
Deduct-nonallowable assets	
Securities owned, at fair value	67,599
Trade receivables, net	1,629,116
Receivable from Parent	10,181,422
Deferred tax asset (Receivable from Parent)	80,124
Total deductions and/or other charges	\$ 11,958,261
Net capital	\$ 1,360,589
Aggregate indebtedness	-
Minimum net capital requirement (greater of \$100,000 or 6 2/3% of aggregate indebtedness)	100,000
Net capital in excess of minimum requirement	\$ 1,260,589

[CONFIDENTIAL]

There are no material differences between this computation of net capital and the corresponding computation included in the Company's December 31, 2017 amended FOCUS report filed on February 28, 2018.

## StormHarbour Securities LP's Exemption Report

StormHarbour Securities LP (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

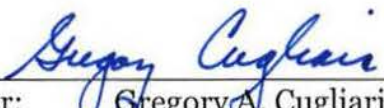
- (1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provision of 17 C.F.R. § 240.15c3-3 (k): (2)(ii).
- (2) The Company met the identified exemption provision in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year ended December 31, 2017 except as described below.

*Cash due to customers was received by the Company on the following dates and was not promptly transmitted to the customer:*

Number of Receipts	Date received by Company	Date transmitted to Customer
1	5/15/2017	5/17/2017
1	9/20/2017	9/22/2017
1	2/13/2017	2/16/2017

StormHarbour Securities LP

I, Gregory Cugliari, swear (or affirm) that, to my best knowledge and belief, this Exemption Report pertaining to the firm of StormHarbour Securities LP is true and correct.

By:   
Signor: Gregory A. Cugliari  
Title: CFO (FINOP)  
Date: February 28, 2018



## Report of Independent Registered Public Accounting Firm

To the Management of StormHarbour Securities LP:

We have reviewed StormHarbour Securities LP's assertions, included in the accompanying StormHarbour Securities LP's Exemption Report, in which (1) the Company identified 17 C.F.R. § 240.15c3-3(k)(2)(ii) as the provision under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the year ended December 31, 2017, except as described in its exemption report with respect to the following exceptions whereby cash due to customers was received by the Company on the following dates and was not promptly transmitted to the customer:

Number of Receipts	Date received at Company	Date transmitted to Customer
1	5/15/2017	5/17/2017
1	9/20/2017	9/22/2017
1	2/13/2017	2/16/2017

The Company's management is responsible for the assertions and for compliance with the identified exemption provision throughout the year ended December 31, 2017.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's assertions referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k) (2)(ii) of 17 C.F.R. § 240.15c3-3.

*PricewaterhouseCoopers LLP*

February 28, 2018



**SIPC-7**

(35-REV 6/17)

**SECURITIES INVESTOR PROTECTION CORPORATION**

P.O. Box 92185 Washington, D.C. 20090-2185

202-371-8300

**General Assessment Reconciliation****SIPC-7**

(35-REV 6/17)

For the fiscal year ended 12/31/2017

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

**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:

2\*2\*\*\*\*320\*\*\*\*\*ALL FOR AADC 100  
 46999 FINRA DEC  
 STORMHARBOUR SECURITIES LP  
 452 5TH AVE FL 29  
 NEW YORK, NY 10018-2781

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)

\$ 23,745

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

( 16,818 )July 26, 2017

Date Paid

C. Less prior overpayment applied

( - )

D. Assessment balance due or (overpayment)

8,927

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)

\$ 8,927

G. PAID WITH THIS FORM:

Check enclosed, payable to SIPC  
 Total (must be same as F above)

\$ 8,927

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.

Storm Harbour Securities LP

(Name of Corporation, Partnership or other organization)

Guyon English

(Authorized Signature)

Dated the 26 day of February, 20 18.CEO

(Title)

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 1/1/2017  
and ending 12/31/2017

Item No.

Eliminate cents

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 17,354,524

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.

(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.

\$ 34,868

(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

2d. SIPC Net Operating Revenues

\$ 17,163,393

2e. General Assessment @ .0015

\$ 25,745

(to page 1, line 2.A.)





## Report of Independent Accountants

To the Management of StormHarbour Securities LP:

In accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934 and with the SIPC Series 600 Rules, we have performed the procedures enumerated below, which were agreed to by StormHarbour Securities LP (the "Company") and the Securities Investor Protection Corporation ("SIPC") (collectively, the "specified parties") with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of StormHarbour Securities LP for the year ended December 31, 2017, solely to assist the specified parties in evaluating The Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and results thereof are as follows:

1. Compared the listed assessment payments on page 1, items 2B and 2G of Form SIPC-7 with the respective cash disbursement records entries, as follows:
  - a. Payment dated July 26, 2017 in the amount of \$16,818 was compared to page 1, item 2D of the Form SIPC-6 Assessment obtained from Greg Cugliari (StormHarbour Securities Chief Financial Officer), and to the bank statement dated July 26, 2017, reference #207481122, noting no difference.
  - b. Payment dated February 26, 2018 in the amount of \$8,927 was compared to the wire dated February 26, 2018, reference #057546788, noting no difference.
2. Compared the Total Revenue amount reported on page 3 of the audited Form X-17A-5 for the year ended December 31, 2017 to the Total revenue amount of \$17,354,524 reported on page 2, item 2a of Form SIPC-7 for the year ended December 31, 2017, noting no differences.
3. Compared any adjustments reported on page 2, items 2b and 2c of Form SIPC-7 with the supporting schedules and working papers, as follows:
  - a. Compared deductions on line 3, commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions, of \$156,263 to the Company's general ledger account #71500 for the year ended December 31, 2017, obtained from Greg Cugliari (StormHarbour Securities Chief Financial Officer), noting no differences.
  - b. Compared deductions on line 9, total interest and dividend expense but not in excess of total interest and dividend income, of \$34,868 to the Company's general ledger account #79220 for the year ended December 31, 2017, obtained from Greg Cugliari (StormHarbour Securities Chief Financial Officer), noting no differences.



4. Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers obtained in procedure 3, as follows:
  - a. Recalculated the mathematical accuracy of the SIPC Net Operating Revenues on page 2, line 2d and the General Assessment @ .0015 on page 2, line 2e of \$17,163,393 and \$25,745, respectively of the Form SIPC-7, noting no differences.
  - b. Recalculated the mathematical accuracy of Total deductions on page 2, line 2c(9) of \$191,131 by adding the greater of line (i) or (ii) within line 2c(9) with page 2, line 2c(3) "commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions", noting no differences.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's preparation of Form SIPC-7 in accordance with the applicable instructions. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Company and the Securities Investor Protection Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

February 28, 2018