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

SEC FILE NUMBER
8-26037

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: Harvest Financial Corporation

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1600 Benedum-Trees Building, 223 Fourth Avenue

(No. and Street)

Pittsburgh

PA

15222

(City)

(State)

(Zip Code)

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

Frank D. Ruscelli

412-391-1466

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Damratoski & Company PC

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

1195 Washington Pike, Suite 350 Bridgeville

PA

15017

(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

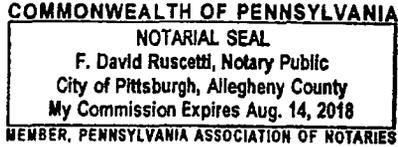
I, Frank D. Ruscetti, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Harvest Financial Corporation, as of December 31, 20 16, are true and correct. I further swear (or affirm) that neither the company 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Frank D. Ruscetti  
Signature

President  
Title

F. David Ruscetti  
Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (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).

**Harvest Financial Corporation**

Financial Statements and Supplementary Information

Year Ended December 31, 2016

**Harvest Financial Corporation**  
Financial Statements and Supplementary Information  
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Year Ended December 31, 2016

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

Board of Directors and Stockholders  
Harvest Financial Corporation  
Pittsburgh, Pennsylvania

We have audited the accompanying statement of financial condition of Harvest Financial Corporation (a Pennsylvania corporation), as of December 31, 2016, and the related statements of loss, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of Harvest Financial Corporation'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 also 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 Harvest Financial Corporation 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 Computations of Net Capital and Aggregate Indebtedness has been subjected to audit procedures performed in conjunction with the audit of Harvest Financial Corporation's financial statements. This supplementary information is the responsibility of Harvest Financial Corporation's management. Our audit procedures included determining whether the supplementary 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 supplementary information. In forming our opinion on the supplementary information, we evaluated whether the supplementary information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the Computations of Net Capital and Aggregate Indebtedness is fairly stated, in all material respects, in relation to the financial statements as a whole.

Damratoski & Company PC  
Certified Public Accountants

February 10, 2017

## **Financial Statements**

**Harvest Financial Corporation**

**Statement of Financial Condition**

December 31, 2016

**Assets**

Cash	\$	66,242
Receivable from clearing organization		63,628
Receivable from brokers/dealers - other		2,748
Prepaid expenses		22,213
Deferred income tax asset		<u>25,555</u>
	\$	<u><u>180,386</u></u>

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

### Liabilities and Stockholders' Equity

#### Liabilities:

Commissions payable	\$ 94,297
Accrued expenses	<u>13,361</u>
Total Liabilities	<u>107,658</u>

#### Stockholders' Equity:

Common stock, no par or stated value; 400,000 shares authorized, 293,080 issued and outstanding	135,285
Additional paid-in capital	28,499
Accumulated deficit	<u>(91,056)</u>
	<u>72,728</u>
	<u>\$ 180,386</u>

# Harvest Financial Corporation

## Statement of Loss

Year Ended December 31, 2016

Revenues:	
Commission revenues	\$ 1,340,560
Advisory fees	216,375
Other revenues	36,410
Interest income	415
	<hr/>
	1,593,760
Operating Expenses:	
Clearing expenses	17,665
Other selling expenses	67,827
Occupancy and equipment expense	116,528
Communications and data processing	24,951
Employment costs	1,372,177
General and administrative expenses	62,079
Depreciation and amortization expense	2,900
	<hr/>
	1,664,127
Net Loss Before Income Taxes	(70,367)
Income Taxes	<hr/>
	(14,264)
Net Loss	<hr/> <hr/>
	\$ (56,103)

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

## Harvest Financial Corporation

### Statement of Changes in Stockholders' Equity

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity</u>
Balance, December 31, 2015	\$ 135,285	\$ 28,803	\$ (34,953)	\$ 129,135
Net Loss	-	-	(56,103)	(56,103)
Merger (Note 10)	<u>-</u>	<u>(304)</u>	<u>-</u>	<u>(304)</u>
Balance, December 31, 2016	<u>\$ 135,285</u>	<u>\$ 28,499</u>	<u>\$ (91,056)</u>	<u>\$ 72,728</u>

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

## Harvest Financial Corporation

### Statement of Cash Flows

Year Ended December 31, 2016

#### Increase (Decrease) in Cash

##### Cash flows from operating activities:

Net loss	\$ (56,103)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization expense	2,900
Deferred income taxes	(14,264)
(Increase) decrease in:	
Receivable from clearing organization	(15,817)
Receivable from brokers/dealers - other	2,502
Prepaid expenses	6,402
Increase (decrease) in:	
Commissions payable	10,074
Accrued expenses	(909)

Net cash used by operating activities (65,215)

##### Cash flows from investing activities:

Due from related party	3
Assets received in merger	3,999
Liabilities assumed in merger	(4,303)
Capital expenditures	(2,785)
Proceeds from sale of fixed assets	31,584

Net cash provided by investing activities 28,498

**Net Decrease in Cash** (36,717)

**Cash, beginning of year** 102,959

**Cash, end of year** \$ 66,242

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

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 1. Organization and Nature of Business

Harvest Financial Corporation (Company) was organized on March 13, 1981 and incorporated under the laws of Pennsylvania. The Company is a non-carrying broker-dealer registered with the Securities and Exchange Commission (SEC) and is headquartered in Pittsburgh, Pennsylvania. The Company is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investors Protection Corporation (SIPC).

Effective July 1, 2016, DiBiase & Ruscelli Associates, Inc. (DRA), an entity related by common ownership, has merged with the Company (Note 10). DRA was a registered investment advisor pursuant to the provision of Section 301(e) under the Pennsylvania Securities Act of 1972 and provided its clients with discretionary account management services and investment advisory services on either a discretionary or non-discretionary basis. As a result of this merger, the Company has become dually registered both as a non-carrying broker-dealer and investment advisor.

### 2. Summary of Significant Accounting Policies

The summary of significant accounting policies is presented to assist in understanding these financial statements. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity. The accounting policies used conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

#### *Method of Accounting*

These financial statements have been prepared using the accrual method of accounting, recognizing income when earned and expenses when incurred.

#### *Use of Estimates*

The preparation of financial statements in conformity with U.S. 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.

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 2. Summary of Significant Accounting Policies (Continued)

#### *Fully Disclosed Basis*

The Company is associated with RBC Correspondent Services, a division of RBC Capital Markets, LLC (RBC) (Clearing Broker), a member of the New York Stock Exchange, Inc., on a fully disclosed basis in connection with the execution and clearance of the securities transactions effected by the Company. In accordance with the Clearing Agreement, the Company is required to provide a clearing deposit in the amount of \$25,000 as of December 31, 2016, upon which the Clearing Broker pays interest at prevailing rates. As of December 31, 2016, the clearing deposit account amounted to \$25,018 and is included in cash on the statement of financial condition.

#### *Revenue Recognition - Commissions*

Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an arrangement exists, the fee is fixed or determinable and collectability is reasonably assured.

Commission revenue represents gross commissions generated by our advisors for their clients' purchases and sales of securities, and various other financial products such as mutual funds, variable annuities, and life insurance policies. We generate two types of commission revenue: front-end sales commissions that occur at the point of sale, as well as trailing commissions for which we provide ongoing support, awareness, and education to clients.

We recognize front-end sales commissions as revenue on a trade-date basis, which is when our performance obligations in generating the commissions have been substantially completed. We earn commissions on a significant volume of transactions that are placed by our advisors directly with product sponsors, particularly with regard to mutual fund, 529 plan, and variable annuity and insurance products. As a result, management must estimate a portion of its commission revenues earned from clients for purchases and sales of these products for each accounting period for which the proceeds have not yet been received. These estimates are based on the amount of commissions earned from transactions relating to these products in prior periods.

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 2. Summary of Significant Accounting Policies (Continued)

Commission revenue includes mutual fund, 529 plan and variable product trailing fees which are recurring in nature. These trailing fees are earned by us, based on a percentage of the current market value of clients' investment holdings in trail-eligible assets, and recognized when received as trail commission revenues are generally paid in arrears, and not readily determinable by management.

A substantial portion of our commission revenue is ultimately paid to our advisors. We record an estimate for commissions payable based upon payout ratios for each product for which we have accrued commission revenue. Such amounts are recorded by us as commission expense.

#### *Revenue Recognition - Advisory Fees*

Investment program and advisory fees are billed on a quarterly basis at the beginning of every quarter or when the program commences. By the end of the quarter, all program and advisory fees revenue are earned and recognized. If a program or contract is terminated, the program or advisor fees are reimbursed to the client on a pro-rata basis.

#### *Accounts Receivable*

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Company accounts for bad debts using the direct charge-off method, directly expensing receivables which management deem uncollectible, or realizable at less than full value. The direct charge-off method provides results similar to the reserve method in all material respects. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

#### *Cash Equivalents*

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 2. Summary of Significant Accounting Policies (Continued)

#### *Advertising*

The Company expenses the cost of advertising as incurred. Advertising expense was \$8,885 for the year ended December 31, 2016.

#### *Income Taxes*

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for operating loss carryforwards that are available to offset future taxable income.

#### *Date of Management's Review*

The Company has evaluated subsequent events through February 10, 2017, which is the date the financial statements were available to be issued.

### 3. SEC Rule 15c3-3 Exemption

The Company claims exemption (k)(2)(ii) from rule 15c3-3 of the Securities and Exchange Commission as a limited business, engaged in the sale of securities and various other financial products such as mutual funds, variable annuities and life insurance policies. The Company does not carry securities for customers or perform custodial functions relating to customer securities, therefore the following schedules required under rule 15c3-3 of the Securities and Exchange Commission have not been included in these financial statements: Schedule II - Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3, Schedule III - Information Relating to Possession or Control Requirements Under Rule 15c3-3, and Schedule IV - Schedule of Segregation Requirements and Funds in Segregation for Customers' Regulated Commodities Futures and Options Accounts.

### 4. Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts at a high quality financial institution. The balances, at times, may exceed federally insured limits. At December 31, 2016, the Company did not exceed the insured limit.

## **Harvest Financial Statements**

### **Notes to Financial Statements**

**Year Ended December 31, 2016**

#### **5. Net Capital Requirements**

The Company is subject to the net capital rule of the Securities and Exchange Commission, Rule 15c3-1 (Rule). Under the Rule, the Company is required to maintain net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness and not to permit its aggregate indebtedness to exceed 1,500% of its net capital, as those terms are defined in the Rule. At December 31, 2016, the Company had net capital of \$24,960, and a net capital ratio (aggregate indebtedness divided by net capital) of 4.31 to 1.

Pursuant to Rule 17a-5, the Company is required to file a computation of net capital as of the audit date. Rule 17a5(d)(4) requires reporting on any material differences between the audited computation and the Company's computation. At December 31, 2016, there were no material differences.

#### **6. Regulatory Filings**

The Statement of Financial Condition filed pursuant to Rule 17a-5 of the Securities and Exchange Commission is available for inspection at the principal office of the Company and at the Washington, D.C. and Regional Office of the Commission.

#### **7. Pension Plan**

The Company has a defined contribution 401(k) pension plan which covers all of its employees. Total pension cost, including matching contributions, amounted to \$3,385 for the year ended December 31, 2016.

#### **8. Income Taxes**

The Company accounts for deferred taxes using the asset and liability method. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at enacted tax rates expected to be in effect when such amounts are realized or settled. The asset as computed for these financial statements assumes that the current tax rates and regulations will be in effect for the year the temporary differences reverse. Accordingly, adjustments to the asset will be necessary in the future should the tax laws change.

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 8. Income Taxes (Continued)

For Federal income tax purposes, the Company has a net operating loss carryforward at December 31, 2016 of approximately \$89,600. For state income tax purposes, the Company has net operating loss carryforward at December 31, 2016 of approximately \$121,200, that may be offset against future taxable income. The Company estimates that the entire amount of both federal and state net operating loss carryforwards will be utilized prior to expiration beginning in 2022. At December 31, 2016, deferred assets of \$25,555, have been recognized.

Current standards require companies to recognize, measure, present, and disclose uncertain tax positions that have been or are expected to be taken. As such, financial statements will reflect expected future tax consequences of uncertain tax positions presuming the tax authorities' full knowledge of the position and all relevant facts. It is the Company's policy not to take uncertain tax positions. The Company's federal and state income tax returns are subject to possible examination by the taxing authorities until expiration of the related statutes of limitations on those tax returns. As of December 31, 2016, the Company's open audit periods are 2013 through 2016 for both federal and state purposes. In evaluating the Company's tax provisions and accruals, future taxable income, and the reversal of temporary differences, interpretations and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Differences in total income tax expense and the amount of income tax that would result from applying statutory rates to pretax income are due to permanent differences, primarily meals and entertainment, which are only 50% deductible for Federal and state income tax purposes.

The provision for income taxes in the statement of loss for the year ended December 31, 2016 consists of the following components:

Tax benefit of net operating loss carryforward:

Federal	\$ (8,513)
State	<u>(5,751)</u>
	<u>\$ (14,264)</u>

# Harvest Financial Corporation

## Notes to Financial Statements

Year Ended December 31, 2016

### 9. Lease Commitments

The Company leases office space (3,400 square feet), from Springhouse Investments, LLC, an entity related to the majority shareholder of the Company, under a non-cancellable operating lease which provides for monthly lease payments of \$5,209. Beginning in January 2017, the rent will increase to \$5,249 for two years, followed by a decrease to \$4,511 for the remainder of the lease term. This lease commenced on March 1, 2014 and expires on February 28, 2029. Rent expense amounted to \$62,504 for the year ended December 31, 2016.

In addition, the Company was reimbursed \$10,621 for the year ended December 31, 2016, by DiBiase & Ruscetti Associates, Inc., a corporation owned by two shareholders of the Company, for the use of its office space prior to the merger.

The future minimum lease payments required by the current office lease are as follows:

Year ending December 31	
2017	\$ 62,987
2018	62,987
2019	54,132
2020	54,132
2021	54,132
Thereafter	<u>387,946</u>
	<u>\$ 676,316</u>

The Company leases furniture and office equipment from Marshall, Henry & Co., LLC, a shareholder of the Company, under two cancellable leases. Both leases were entered into on July 1, 2016 and provide for combined monthly payments of \$894 through June 2020. Payments under this lease amounted to \$5,364 in 2016.

In addition, the Company leases computer equipment from J.M. Ruscetti, an individual related to certain shareholders of the Company, under a cancellable lease. This lease, which was entered into October 2016, provides for monthly payments of \$494 through September 2019. Payments under this lease amounted to \$1,483 in 2016.

## Harvest Financial Corporation

### Notes to Financial Statements

Year Ended December 31, 2016

#### 9. Lease Commitments (Continued)

Finally, the Company leases certain office equipment under an operating lease which is renewed on an annual basis. Total rent expense under this lease amounted to \$1,999 for the year ended December 31, 2016.

#### 10. Merger

Effective July 1, 2016, the Company adopted a Plan of Merger with DiBiase & Ruscetti Associates, Inc. (DRA). This reorganization qualifies as a tax-free Type A Statutory Merger. The Company is the acquiring corporation and the surviving entity, while DRA is the target acquisition and will cease its separate legal existence. As of the effective date, all assets and liabilities of DRA are deemed acquired by the Company and all existing shareholders of DRA received common stock in the Company. The Company recorded the merger as follows on July 1, 2016:

Cash	\$	1,199
Insurance Receivable		2,800
Commission Payable		(2,520)
Accrued Expense		<u>(1,783)</u>
Additional Paid-In Capital	\$	<u><u>(304)</u></u>

**Supplementary Information**

## Harvest Financial Corporation

### Computations of Net Capital and Aggregate Indebtedness

Year Ended December 31, 2016

Net Capital:		
Total stockholders' equity	\$	72,728
Deductions:		
Prepaid expenses		22,213
Deferred tax asset		<u>25,555</u>
Total non-allowable assets		<u>47,768</u>
Net Capital		24,960
Net Capital Requirements		<u>7,177</u>
Net Capital in Excess of Minimum Requirements	\$	<u>17,783</u>
Aggregate Indebtedness	\$	<u>107,658</u>
Ratio of Aggregate Indebtedness to Net Capital		<u>4.31</u>

See Report of Independent Registered Public Accounting Firm.

**Reconciliation of Audited Net Capital with the  
Broker/Dealer's Unaudited Part II:**

Net Capital Per Audit Report	\$	24,960
Audit Adjustments		-
Changes to Non-Allowable Assets		-
Net Capital Per Broker/Dealer's Unaudited Part II	\$	<u>24,960</u>

**Exemption Review Report of Independent  
Registered Public Accounting Firm**

Board of Directors and Stockholders  
Harvest Financial Corporation  
Pittsburgh, Pennsylvania

We have reviewed management's statements, included in the accompanying Statement of Exemption from SEC Rule 15c3-3(k)(2)(ii), in which (1) Harvest Financial Corporation identified the following provisions of 17 C.F.R. §15c3-3(k) under which Harvest Financial Corporation claimed an exemption from 17 C.F.R § 240.15c3-3:(k)(2)(ii) - (the "exemption provisions") and (2) Harvest Financial Corporation stated that Harvest Financial Corporation met the identified exemption provisions throughout the most recent fiscal year without exception. Harvest Financial Corporation's management is responsible for compliance with the exemption provisions and its statements.

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 Harvest Financial Corporation's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. 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 statements 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 Rule 15c3-3 under the Securities Exchange Act of 1934.



Damratoski & Company PC  
Certified Public Accountants

February 10, 2017



**HARVEST**

Financial Corporation

Investments / Securities

Member FINRA / SIPC

1600 Benedum-Trees Building

223 Fourth Avenue

Pittsburgh, PA 15222

(412) 391-1466

1-800-837-1466

(412) 391-1406 Fax

## Harvest Financial Corporation

### Statement of Exemption from SEC Rule 15c3-3(k)(2)(ii)

Harvest Financial Corporation is a non-clearing (fully disclosed) broker-dealer and does not carry accounts of customers on its books; and therefore claims exemption from the reserve requirements as stated in SEC Rule 15c3-3(k)(2)(ii).

Harvest Financial Corporation met the described exemption provisions in 15c3-3(k) throughout the most recent fiscal year, ending December 31, 2016, without exception.

Frank D. Ruscetti  
President

Date

Downtown Pittsburgh

South Hills

Fox Chapel Area

[www.harvest-financial.com](http://www.harvest-financial.com)