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**ANNUAL AUDITED REPORT  
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PART III**

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

REPORT FOR THE PERIOD BEGINNING 01/01/2016 AND ENDING 12/31/2016  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: *Stebens & Company Inc*

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
9711 Washingtonian Blvd, Suite 400

(No. and Street)

Gaithersburg

MD

20878

(City)

(State)

(Zip Code)

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

Carl A. Serger; 240-631-7610

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

RSM USA, LLC

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

One South Wacker Dr, Suite 800 Chicago

IL

60606-3392

(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)

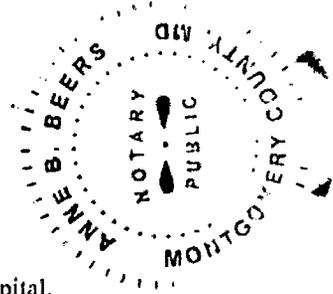
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OATH OR AFFIRMATION

I, Carl A. Serger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Steben & Company, Inc., 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:

Montgomery County, Maryland  
On this 24 day of February 2017  
Carl A. Serger  
personally appeared before me and acknowledged that he/she executed the foregoing instrument.  
Quinn B. Beers Notary Public  
My Commission Expires: Aug 26, 2017  
Notary Public

[Signature]  
Signature  
Chief Financial Officer  
Title



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).

27 February 2017

Steben & Company, Inc., a registered introducing broker-dealer, is submitting this audited financial report and its attachments as of and for the year ended December 31, 2016. The person whose signature appears below represents that, to the best of his knowledge, all information contained therein is true and correct.

A handwritten signature in black ink, appearing to read 'CS', is written over a horizontal line.

Carl A. Serger  
Chief Financial Officer  
Steben & Company, Inc.

**Steben & Company, Inc.**

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RSM US LLP

**Report of Independent Registered Public Accounting Firm**

To the Stockholders  
Steben & Company, Inc.

We have audited the accompanying statement of financial condition of Steben & Company, Inc. (the Company) as of December 31, 2016, and the related notes (the financial statement). This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, 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 statement referred to above presents fairly, in all material respects, the financial position of Steben & Company, Inc. as of December 31, 2016, in conformity with accounting principles generally accepted in the United States.

*RSM US LLP*

Chicago, Illinois  
February 27, 2017

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**Steben & Company, Inc.**

**Statement of Financial Condition  
December 31, 2016**

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<b>Assets</b>	
Cash	\$ 5,596,218
Marketable securities, at fair value	6,841,063
Receivable from Managed Funds	1,684,328
Commissions receivable	45,928
Investments in Managed Funds	395,613
Property and equipment, net	758,667
Other assets	<u>308,167</u>
Total assets	<u>\$ 15,629,984</u>
<b>Liabilities and Stockholders' Equity</b>	
<b>Liabilities</b>	
Commissions payable	\$ 636,012
General partner 1 percent payable	98,751
Accounts payable and accrued expenses	424,803
Deferred rent	<u>725,538</u>
Total liabilities	<u>1,885,104</u>
<b>Stockholders' Equity</b>	
Common stock (500,000 shares authorized, issued and outstanding, \$0.002 par value)	1,000
Additional paid-in capital	129
Retained earnings	<u>13,743,751</u>
Total stockholders' equity	<u>13,744,880</u>
Total liabilities and stockholders' equity	<u>\$ 15,629,984</u>

See Notes to Statement of Financial Condition.

## **Steben & Company, Inc.**

### **Notes to Statement of Financial Condition**

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

##### **Nature of Operations**

Steben & Company, Inc. (the Company) was incorporated in the State of Maryland in 1989, is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission (the SEC), and is a member of the Financial Industry Regulatory Authority (FINRA). The Company is also registered as an introducing broker and commodity pool operator with the Commodity Futures Trading Commission (the CFTC), and is a member of the National Futures Association (NFA).

As a registered broker-dealer, the Company is subject to SEC Rule 17a-5, which governs the financial statement reporting of brokers and dealers. Because the Company effects no financial transactions with customers and does not hold customer funds or securities it qualifies for an exemption, under Rule 15c3-3, from a portion of the requirements of Rule 17a-5 and Rule 15c3-3.

The Company is the general partner and commodity pool operator of Futures Portfolio Fund, Limited Partnership (Futures). The Company is the general partner for Steben Select Multi-Strategy Partners, L.P. (Select Partners) and serves as the investment manager for Steben Select Multi-Strategy Fund (Select), Steben Select Multi-Strategy Master Fund (Select Master) and Steben Managed Futures Strategy Fund (SMFSF). Collectively, Futures, Select, Select Master, Select Partners and SMFSF are referred to as the Managed Funds.

The Company earns management fees, selling agent fees, 1 percent allocations and other service related compensation from Futures as its general partner. As investment manager of Select Master and SMFF, the Company earns management and service related fees. The Company also earns service related fees from Select and Select Partners. The Company has ceased wholesaling other commodity pools, but continues to receive compensation for prior wholesaling activities.

##### **Significant Accounting Policies**

The Company follows Generally Accepted Accounting Principles (GAAP), as established by the Financial Accounting Standards Board (the FASB), to ensure consistent reporting of financial condition, results of operations, and cash flows.

**Consolidation:** The Company's investment in Select Partners represents a capital investment as general partner. The Company is also the general partner of Futures, but does not maintain a capital account in that fund. Additionally, the Company has investments in Select, Select Master and SMFSF. The Managed Funds' financial statements are not consolidated into the Company's financial statements pursuant to the FASB's consolidation guidance. Based on that guidance, the Company has concluded that consolidation of these investees is not required.

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

**Steben & Company, Inc.**

**Notes to Statement of Financial Condition**

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

**Cash:** Cash consists of balances held at banks. The company is at risk to the extent that it maintains cash balances at financial institutions in excess of insured limits; however, the Company does not believe it is exposed to any significant credit risk.

**Marketable securities:** The Company invests a portion of its cash in various short-duration bond mutual funds. These mutual fund investments are classified as trading securities. Trading securities are those that are bought and held primarily for sale within the Company's normal operating cycle. Marketable securities are carried at fair value.

**Investments in Managed Funds**

*Investment in affiliated limited partnerships:* The Company has invested in Select Partners, a Delaware limited partnership, which is a feeder fund for Select Master, a fund of hedge funds. The Company's investment is carried at fair value.

*Investment in closed-end funds:* The Company has invested in Select and Select Master. Select is a feeder fund for Select Master, a fund of hedge funds. The Company's investments in these funds are carried at fair value.

*Investment in open-end funds:* The Company has invested in SMFSF, a mutual fund. The Company's investment in SMFSF is carried at fair value.

**Managed Funds receivable and payable:** The Company's receivable from the Managed Funds and General partner 1 percent allocation represents fees due from the Managed Funds, as described in Note 3. Based on its historical collection pattern, the Company has not provided a reserve for uncollectible accounts.

**Property and equipment:** Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives. The estimated useful life of property and equipment other than leasehold improvements varies from three to seven years. Leasehold improvements are amortized over the shorter of the expected life of the improvements or the remaining lease term.

**Revenue recognition:** Management fees, selling agent fees, broker-dealer servicing fees, general partner 1 percent allocations and related expenses are recognized on the accrual basis.

**Incentive based compensation:** The Company has granted phantom unit awards to certain employees. The phantom units are linked to the value of the Company's common stock and are settled in cash upon vesting which occurs upon a change in control event. The Company accounts for phantom unit awards as liability-based awards; however, as the awards only vest upon a change in control event, no liability and compensation expense is recognized until the occurrence of a change in control event. At December 31, 2016, there were 55,000 outstanding phantom units.

**Income taxes:** No provision has been made for federal income taxes as the Company has elected to be taxed as an S corporation under the provisions of the Internal Revenue Code whereby income is taxable to the stockholders.

**Steben & Company, Inc.**

**Notes to Statement of Financial Condition**

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

The Company evaluates the tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined there are no material uncertain income tax positions for the year ended December 31, 2016.

The Company is generally not subject to examination by U.S. federal and state tax authorities for tax years before 2013.

**Deferred rent:** Rent expense for operating leases, which may have abated rent and escalating rental rates over the term of the lease, is recorded on a straight-line basis over the initial lease term. The difference between rent expense and rent paid is recorded as deferred rent.

**Recent accounting pronouncements:** Management is currently evaluating the potential impact of the following new disclosure on the Company's financial statements.

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, provides a framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance in current GAAP. The revenue recognition policies of almost all entities will be affected by the new guidance in the ASU. The guidance is effective for annual reporting periods beginning after December 15, 2017, and early adoption is permitted for periods beginning after December 15, 2016.

ASU 2016-02, *Leases*, is a new lease accounting standard. For lessees it requires the present value of committed operating lease payments to be recorded as right-of-use lease assets and lease liabilities on the statement of financial condition. At December 31, 2016, the Company had approximately \$3.1 million in undiscounted future minimum lease commitments. The Company is currently assessing the impact of the new guidance on its financial statements. The new standard is effective for reporting periods beginning after December 15, 2018 and early adoption is permitted.

**Subsequent events:** The Company has evaluated subsequent events for potential recognition and/or disclosure through the date the financial statements were issued, noting none.

**Notes to Statement of Financial Condition**

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**Note 2. Fair Value of Financial Instruments**

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. The Company uses valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within the fair value hierarchy based upon the level of judgment associated with the inputs used to measure their value. Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

**Level 1:** Fair value is based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical instruments. The Company's marketable securities are classified as Level 1.

**Level 2:** Fair value is based on quoted prices for similar instruments in active markets and inputs other than quoted prices that are observable for the financial instrument, such as interest rates and yield curves that are observable at commonly quoted intervals using a market approach. The Company held no Level 2 financial instruments as of December 31, 2016.

**Level 3:** Fair value is based on valuation techniques in which one or more significant inputs are unobservable. The Company held no Level 3 financial instruments as of December 31, 2016.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment'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 in its entirety requires judgment, and considers factors specific to the investment.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. ASU 2015-07 states that investments measured using net asset value per share (or its equivalent) as a practical expedient shall not be categorized within the fair value hierarchy and the reporting entity shall provide the amount measured using the net asset value per share (or its equivalent) practical expedient to permit reconciliation of the fair value of investments included in the fair value hierarchy to the line items presented in the statement of financial position.

**Steben & Company, Inc.**

**Notes to Statement of Financial Condition**

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**Note 2. Fair Value of Financial Instruments (continued)**

The adoption of this standard removed the Managed Funds from inclusion in any particular level of the fair value hierarchy. Previously, the investment in SMFSF was classified as Level 1, with the remaining Managed Funds classified as Level 3. The Company's investment in general partner units of Select Partners and shares of Select and Select Master were classified as Level 3 because of the restrictions on the Company's ability to redeem its interests in the near term.

The following summarizes the Company's fair value hierarchy for financial assets measured at fair value on a recurring basis as of December 31, 2016:

Description	Level 1	Level 2	Level 3	Total
ASSETS				
Investments in:				
Marketable securities	\$ 6,841,063	\$ -	\$ -	\$ 6,841,063
Managed Funds †	-	-	-	395,613
Total assets at fair value	<u>\$ 6,841,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,236,676</u>

† The value of the investments in the Managed Funds were measured using the NAV practical expedient and have not been classified in the fair value hierarchy. The amount presented in this table is intended to permit reconciliation of the fair value hierarchy to the Company's financial statements.

The Company assesses the level of the investment at each measurement date, and transfers between levels are recognized at the measurement date in accordance with the Company's policy regarding the recognition of transfers between levels of the fair value hierarchy. For the year ended December 31, 2016, there were no such transfers. Substantially all of the Company's other assets and liabilities that are considered financial instruments are reflected at fair value or at carrying amounts that approximate fair value because of short maturity of the instruments.

**Note 3. Managed Funds**

As the general partner or investment adviser of the Managed Funds, the Company conducts and manages each of the Managed Funds respective businesses. The Company earns management fees that are based on a fixed percentage (up to 1.5 percent per annum) of the month-end net asset value of Futures, SMFSF and Select Master. For the year ended December 31, 2016, management fees were \$11,302,795. The Company also receives or pays a one percent allocation of any profits or losses, respectively, from Futures (the General partner 1 percent allocation).

## Steben & Company, Inc.

### Notes to Statement of Financial Condition

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#### Note 3. Managed Funds (continued)

The Company earns selling agent fees and broker-dealer servicing fees in connection with the efforts to attract and retain investors, which are based on a fixed percentage (ranging from 0.2 percent to 2 percent annually) of the month-end net asset value of Futures. For the year ended December 31, 2016, selling agent and broker-dealer servicing fees were \$8,548,832. The Company, in turn, pays substantially all of the selling agent fees to the respective selling agents.

The Company earns administrative or operating services fees ranging from 0.1 to 0.5 percent per annum of average month-end net assets from Futures, Select Master, Select Partners, Select and SMFSF. In return, the Company provides certain services and pays certain expenses on behalf of the Managed Funds.

Receivable from the Managed Funds at December 31, 2016, consists of:

	Receivable From	Payable To
Management fees	\$ 878,909	\$ -
Selling agent and broker-dealer servicing fees	637,010	-
General partner 1 percent allocations	-	98,751
Administrative and operating services fees	165,448	-
Offering expense	2,961	-
	<u>\$ 1,684,328</u>	<u>\$ 98,751</u>

#### Note 4. Property and Equipment

At December 31, 2016, the summary of the major classes of depreciable assets was:

Furniture and fixtures	\$ 707,170
Office and computer equipment	901,728
Leasehold improvements	829,444
Total property and equipment, at cost	<u>2,438,342</u>
Accumulated depreciation and amortization	<u>(1,679,675)</u>
Total property and equipment, net	<u>\$ 758,667</u>

**Steben & Company, Inc.**

**Notes to Statement of Financial Condition**

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**Note 5. Commitments and Contingencies**

The Company leases office space under a non-cancelable operating lease agreement that expires in 2023. At December 31, 2016, minimum annual rental commitments, exclusive of additional payments that may be required for certain increases in operating costs, are as follows:

2017	\$	441,649
2018		452,668
2019		463,985
2020		475,608
2021		487,481
Later years		752,593
Total	\$	<u>3,073,984</u>

In the ordinary course of business, the Company may be subject to various litigation and arbitration matters. Although the effects of these matters cannot be determined, the Company's management believes that their ultimate outcome will not have a material effect on the Company's financial position, results of operations, or net cash flows.

**Note 6. Indemnifications**

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

**Note 7. SIMPLE Individual Retirement Account**

The Company maintains a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE) individual retirement account for the benefit of its employees. The Company matches contributions made by eligible employees up to a maximum of three percent of employee compensation, and all contributions are immediately vested.

## **Steben & Company, Inc.**

### **Notes to Statement of Financial Condition**

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#### **Note 8. Off-Balance-Sheet Risk and Concentration of Credit Risk**

Futures and SMFSF engage in the speculative trading of U.S. and foreign futures, options on futures contracts and forward contracts (collectively, derivatives). Futures and SMFSF are exposed to both market risk, the risk arising from changes in the fair value of the contracts, and credit risk, the risk of failure by another party to perform according to the terms of a contract. Theoretically, Futures and the Company, as general partner, are exposed to market risk equal to the notional contract value of derivatives purchased and unlimited on derivatives sold short. Futures' trading of forward contracts in unregulated markets between principals also exposes the Managed Funds and the Company to the risk of loss from counterparty nonperformance.

The Company has established procedures to actively monitor Futures' and SMFSF's market and credit risks. The Company does not anticipate nonperformance by any of its counterparties and has a policy of monitoring, as considered necessary, the creditworthiness of these counterparties.

The Company has cash on deposit with financial institutions that, at times, exceeds federally insured limits. However, the Company does not believe that it is exposed to any significant credit risk.

#### **Note 9. Net Capital Requirements**

The Company is subject to the minimum net capital requirements of the SEC and the CFTC. Under the SEC Uniform Net Capital Rule (Rule 15c3-1), the Company is required to maintain "net capital" equal to the greater of \$5,000 or 6⅔ percent of "aggregate indebtedness," and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn if the resulting net capital ratio would exceed 10 to 1 as these terms are defined. Under the CFTC Net Capital Requirements (Regulation 1.17), the Company is required to maintain "adjusted net capital," as this term is defined, equal to the greater of \$45,000 or the amount required by its self-regulatory organization. "Net capital," "adjusted net capital," and "aggregate indebtedness" change from day to day, but as of December 31, 2016, the Company had net capital and net capital requirements of \$10,132,844 and \$125,674, respectively. The Company's net capital ratio was 0.19 to 1. The net capital requirements may effectively restrict, among other things, distributions to the stockholders.