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FORM X-17A-5 \*

PART III

SEC FILE NUMBER
8-67887

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 01/01/18 AND ENDING 12/31/18 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Qatalyst Partners LP

OFFICIAL USE ONLY
FIRM I.D. NO.

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

One Maritime Plaza, 24th Floor

(No. and Street)

San Francisco

(City)

CA

(State)

94111

(Zip Code)

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

Jason DiLullo

(415) 844-7700

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

PricewaterhouseCoopers LLP

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

Three Embarcadero

(Address)

San Francisco

(City)

CA

(State)

94111

(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)

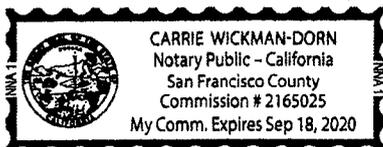
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Jason DiLullo, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Qatalyst Partners LP, as of December 31, 2018, 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: Jason A. DiLullo
President
Title

Notary Public signature and 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).

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MAR 01 2019
Washington, DC

**Qatalyst Partners LP**  
**Statement of Financial Condition**  
**December 31, 2018**  
**(Public)**



## Report of Independent Registered Public Accounting Firm

To Qatalyst Management LLC, the General Partner of Qatalyst Partners LP:

### ***Opinion on the Financial Statement – Statement of Financial Condition***

We have audited the accompanying statement of financial condition of Qatalyst Partners LP (the “Partnership”) as of December 31, 2018, including the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Partnership as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

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

The financial statement is the responsibility of the Partnership’s management. Our responsibility is to express an opinion on the Partnership’s financial statement 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 Partnership 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 this financial statement 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 statement is 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 statement, 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

*Price WaterhouseCoopers LLP*

San Francisco, California  
February 27, 2019

We have served as the Partnership’s auditor since 2008.

**Qatalyst Partners LP**  
**Statement of Financial Condition**  
**December 31, 2018**

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<b>Assets</b>	
Cash	\$ 8,746,677
Restricted cash (Note 2)	<u>411,618</u>
Total cash and restricted cash	<u>9,158,295</u>
Accounts receivables	37,602
Accrued investment banking revenues	2,125,000
Prepaid expenses and other assets	1,068,116
Fixed assets, net	<u>806,430</u>
Total assets	<u>\$ 13,195,443</u>
<b>Liabilities and Partners' Equity</b>	
Liabilities	
Accounts payable and accrued expenses	\$ 1,418,201
Deferred liabilities	<u>962,442</u>
Total liabilities	<u>2,380,643</u>
Commitments and contingencies (Note 4)	
Partners' equity	<u>10,814,800</u>
Total liabilities and partners' equity	<u>\$ 13,195,443</u>

The accompanying notes are an integral part of this financial statement.

# **Qatalyst Partners LP**

## **Notes to Financial Statement**

### **December 31, 2018**

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#### **1. Organization and Description of Business**

Qatalyst Partners LP (the "Partnership"), a wholly-owned subsidiary of Qatalyst Group LP (the "Parent"), is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The general partner of the Partnership is Qatalyst Management LLC. The Partnership operates as an introducing broker and does not hold funds or securities for customers, does not owe any money or securities to customers, and does not carry customer accounts.

#### **2. Summary of Significant Accounting Policies**

##### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect both the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

##### **Fair Value of Financial Instruments**

Management believes that the aggregate net fair value of accounts and investment banking fees receivables approximate their carrying value because such receivables are short-term in nature.

##### **Cash and Restricted Cash**

The Partnership considers highly liquid investments with original maturities of three months or less to be cash equivalents. The Partnership holds cash in financial institutions in excess of FDIC insured limits. The Partnership periodically assesses the financial condition of these institutions and assesses the credit risk. The Partnership has a certificate of deposit of \$411,618 that is collateral for a standby letter of credit related to its office lease (note 4).

##### **Accrued Investment Banking Revenues**

Investment banking revenues consist of strategic advisory revenues and private placement fees, and are generally recognized at the point in time that performance under the arrangement is completed (the closing date of the transaction) or the contract is cancelled. Revenues recognized but not yet billed to the client are accrued as of December 31, 2018.

##### **Leases**

In February 2016, the FASB issued new guidance for the accounting for leases (ASC 842). The new guidance requires lessees to recognize assets and liabilities arising from substantially all leases. This new accounting guidance applies to all nonpublic business entities with annual periods beginning after December 15, 2019. The Partnership is currently evaluating the impact of adopting the guidance.

**Qatalyst Partners LP**  
**Notes to Financial Statement**  
**December 31, 2018**

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**3. Fixed Assets**

As of December 31, 2018, fixed assets consisted of the following:

	<b>Computers, software and equipment</b>	<b>Furniture and fixtures</b>	<b>Total</b>
Fixed assets	\$ 1,405,983	\$ 1,810,965	\$ 3,216,948
Less: Accumulated depreciation	<u>(1,255,294)</u>	<u>(1,155,224)</u>	<u>(2,410,518)</u>
Fixed asset, net	<u>\$ 150,689</u>	<u>\$ 655,741</u>	<u>\$ 806,430</u>

**4. Commitments and Contingencies**

**Operating Leases**

The Partnership leases office space under an operating lease. The term of the lease expires on March 31, 2021. The Partnership has a standby letter of credit for \$411,618 to cover the security deposit for its office lease.

As of December 31, 2018, the future minimum lease payments under noncancelable operating leases are as follows:

2019	\$ 1,571,469
2020	1,618,558
2021	411,618
Thereafter	<u>-</u>
Total	<u>\$ 3,601,645</u>

**5. Litigation**

Due to the nature of its business, the Partnership may in the future be subject to various threatened or filed legal actions. Such litigation is inherently uncertain and the ultimate resolution of such litigation could be determined by factors outside of the Partnership's control. Management believes that there are no currently known actions or reasonably likely threat of any actions that would result in any material adverse effect on the Partnership's financial statements.

**Qatalyst Partners LP**  
**Notes to Financial Statement**  
**December 31, 2018**

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**6. Regulatory Requirements**

The Partnership is subject to Rule 15c3-1, which requires the maintenance of minimum net capital, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 1500%. At December 31, 2018, the Partnership had net capital of \$6,363,010 which was \$6,204,300 in excess of its required net capital of \$158,710. The Partnership's ratio of aggregate indebtedness to net capital was 0.374 to 1.

**7. Related Party**

The Partnership is subject to an expense sharing agreement with the Parent, whereby certain overhead expenses are allocated between the Partnership and the Parent based on the benefit derived from the services provided.

In 2018, the Partnership was assigned three customer contracts from an affiliate of the Parent. These engagements were assigned based on an analysis of multiple factors including whether the potential customer transaction involved a public offering of securities.

**8. Subsequent Events**

Subsequent to December 31, 2018, the Partnership distributed \$101,851,000 to its Parent. In the normal course of business, the Partnership intends to make additional distributions up to its Parent. Adequate net capital was maintained after the distribution was made.

As of February 27, 2019, the date the financial statements were available to be issued, no subsequent events or transactions had occurred that would have materially impacted the financial statements as presented.