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

SEC FILE NUMBER  
8-34927

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 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Stonewall Investments Inc. dba Hanover Securities OFFICIAL USE ONLY

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

6410 Poplar Ave., Suite 320

FIRM I.D. NO.

(No. and Street)

Memphis

TN

38119

(City)

(State)

(Zip Code)

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

Matthew Monaco

(901) 261-5952

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

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

Warren Averett

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

2500 Acton Road

Birmingham

AL

35243

(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 (11-05)

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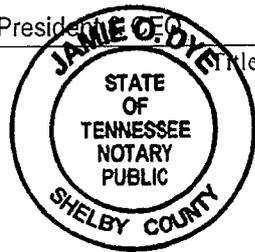
OATH OR AFFIRMATION

I, Matthew Monaco, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stonewall Investments Inc., dba Hanover Securities, as of December 31, 2019, 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:

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

Matthew P Monaco  
Signature

\_\_\_\_\_  
President



Jamie O. Dye  
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X). My Comm. Exp. 2-28-2023
- (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).

**STONEWALL INVESTMENTS, INC.  
dba HANOVER SECURITIES**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**(Pursuant to Rule 17a-5 of the  
Securities and Exchange Commission)**

**DECEMBER 31, 2019**

**(With Report of Independent Registered  
Public Accounting Firm)**

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
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**DECEMBER 31, 2019**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Stonewall Investments, Inc. dba Hanover Securities

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

We have audited the accompanying statement of financial condition of Stonewall Investments, Inc. dba Hanover Securities as of December 31, 2019, the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended, and the related notes and schedule (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of Stonewall Investments, Inc. dba Hanover Securities as of December 31, 2019, 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 Stonewall Investments, Inc. dba Hanover Securities' management. Our responsibility is to express an opinion on Stonewall Investments, Inc. dba Hanover Securities' 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 Stonewall Investments, Inc. dba Hanover Securities 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 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.

### **Auditors' Report on Supplemental Information**

The supplemental information contained in Schedule I, Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission has been subjected to audit procedures performed in conjunction with the audit of Stonewall Investments, Inc. dba Hanover Securities' financial statements. The supplemental information is the responsibility of Stonewall Investments, Inc. dba Hanover Securities' management.

Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the supplemental information contained in Schedule I is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Warren Averett, LLC*

We have served as Stonewall Investments, Inc. dba Hanover Securities' auditor since 2016.  
Birmingham, Alabama  
February 19, 2020

**STONEWALL INVESTMENTS, INC**  
**dba HANOVER SECURITIES**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2019**

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**ASSETS**

<b>CASH</b>	\$ 920,533
<b>ACCOUNTS RECEIVABLE</b>	240,926
<b>PREPAIDS</b>	8,482
<b>DEPOSIT, FINRA</b>	<u>520</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,170,461</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>ACCRUED EXPENSES</b>	<u>\$ 455,593</u>
<b>TOTAL LIABILITIES</b>	<u>455,593</u>
<b>STOCKHOLDERS' EQUITY</b>	
Common stock, par value \$1 per share; authorized, issued, and outstanding 1,000 shares	1,000
Paid-in capital	335,810
Retained earnings	<u>378,058</u>
Total stockholders' equity	<u>714,868</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u><u>\$ 1,170,461</u></u>

See notes to the financial statements.

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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**REVENUE**

Commissions	\$ 3,062,356
Interest & dividend income	<u>3,352</u>

Total revenue	<u>3,065,708</u>
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**OPERATING EXPENSES**

Commissions	2,678,108
Advertising	2,077
Regulatory fees	13,966
Professional fees	104,881
General and administrative expenses	<u>50,306</u>

Total operating expenses	<u>2,849,338</u>
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State taxes	<u>-</u>
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<b>NET INCOME</b>	<u><u>\$ 216,370</u></u>
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See notes to the financial statements.

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE AT DECEMBER 31, 2018</b>	\$ 1,000	\$ 335,810	\$ 184,188	\$ 520,998
Net income	-	-	216,370	216,370
Distributions to stockholders	-	-	(22,500)	(22,500)
<b>BALANCE AT DECEMBER 31, 2019</b>	<u>\$ 1,000</u>	<u>\$ 335,810</u>	<u>\$ 378,058</u>	<u>\$ 714,868</u>

See notes to the financial statements.

**STONEWALL INVESTMENTS, INC**  
**dba HANOVER SECURITIES**  
**STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO CLAIMS OF GENERAL CREDITORS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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<b>SUBORDINATED LIABILITIES AT BEGINNING OF YEAR</b>	<b>\$ -</b>
<b>INCREASES (DECREASES)</b>	<b>-</b>
<b>SUBORDINATED LIABILITIES AT END OF YEAR</b>	<b>\$ -</b>

See notes to the financial statements.

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 216,370
Adjustments to reconcile net income to net cash provided by operating activities:	
Change in accounts receivables	(168,698)
Change in deposit, FINRA	842
Change in prepaids	(3,718)
Change in accrued expenses	<u>320,572</u>
Net cash provided by operating activities	<u>365,368</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Distributions to stockholders	<u>(22,500)</u>
Net cash used in financing activities	<u>(22,500)</u>
<b>NET INCREASE IN CASH</b>	<u>342,868</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>577,665</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 920,533</u>

See notes to the financial statements.

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Stonewall Investments Inc. dba Hanover Securities (the Company) is a registered broker-dealer with the Securities Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority. The Company's principal business activities include the execution of securities transactions for institutional and retail customers, in addition to directing the purchase and sale of government guaranteed loans. All securities transactions are settled through a clearing broker on a fully disclosed basis.

**Basis of Financial Statement Preparation**

The preparation of 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 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 could differ from those estimates.

**Cash**

Cash consists primarily of bank deposit accounts. The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced, and does not expect to experience, any losses in such accounts.

**Accounting for Securities Transactions and Other Activity**

Trading gains and losses, commission revenue, and related expenses are recorded on a trade-date basis. Receivables/payables with broker/dealers, if any, are recorded on a trade-date basis.

**Taxes on Income**

No provision for income taxes is recorded on the Company's general ledger as the stockholders have elected to report income or loss in accordance with provisions of Subchapter S of the Internal Revenue Code.

The Company adopted the provisions of Accounting Standards Codification (ASC) 740 relating to uncertainty in income taxes. This guidance requires entities to assess their uncertain tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Company has determined that it does not have any positions at December 31, 2019, that it would be unable to substantiate. The Company has filed its tax returns for all years through December 31, 2018.

**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Subsequent Events**

The Company has evaluated subsequent events through the date the financial statements were issued.

**2. REVENUE RECOGNITION**

Revenues are analyzed to determine whether the Company is the principal (i.e. reports revenues on a gross basis) or agent (i.e. reports revenues on a net basis) in the contract. Principal or agent designation depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations, inventory risk before the good or service is transferred and discretion in establishing the price.

Trading related revenue, commissions, and expenses are recorded on a trade date basis. These revenues represent the compensation the Company earns for providing trade facilitation, execution, clearance, and settlement of securities and loan transactions to its customers, and the Company has no future performance obligation after such securities and loan transactions settle.

**3. NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. At December 31, 2019, the Company had net capital of \$501,030 which was \$401,030 in excess of the required net capital of \$100,000. Also, the Company must not permit its "aggregate indebtedness" to exceed 15 times its net capital. The Company had outstanding aggregate indebtedness of \$455,593 at December 31, 2019. The Company's ratio of aggregate indebtedness to net capital was 0.91 to 1.

**4. RELATED PARTY TRANSACTIONS**

Commissions are accrued based upon trade date, but only settled trades are paid out the following month. As of December 31, 2019, commissions accrued related to a stockholder were \$292,965.

**5. COMMITMENTS AND CONTINGENCIES**

The Company is subject to litigation and various claims in the ordinary course of business, as well as regular examination by regulatory agencies. Management does not expect that resolution of any litigation or regulatory matters will have a material impact on the Company's results of operation or financial position.

**SUPPLEMENTAL INFORMATION**

**SCHEDULE I**  
**STONEWALL INVESTMENTS, INC.**  
**dba HANOVER SECURITIES**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE**  
**COMMISSION**  
**DECEMBER 31, 2019**

<b>NET CAPITAL</b>	
Total stockholders' equity	\$ 714,868
Less deductions and/or charges	<u>213,838</u>
<b>NET CAPITAL</b>	<u>\$ 501,030</u>
<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<u>\$ 455,593</u>
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS</b>	
Minimum net capital required	<u>\$ 100,000</u>
Excess net capital	<u>\$ 401,030</u>
Ratio: aggregate indebtedness to net capital	<u>0.91</u>

There are no material differences between the preceding computation and the Company's unaudited Form X-17a-5 as of December 31, 2019, as filed on January 25, 2020.

See accompanying report of independent registered public accounting firm.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholder  
of Stonewall Investments, Inc. dba Hanover Securities

We have reviewed management's statements, included in the accompanying Stonewall Investments, Inc. dba Hanover Securities Exemption Report, in which (1) Stonewall Investments, Inc. dba Hanover Securities identified the following provisions of 17 C.F.R. §15c3-3(k) under which Stonewall Investments, Inc. dba Hanover Securities claimed an exemption from 17 C.F.R. §240.15c3-3: (2)(ii) (the "exemption provisions") and (2) Stonewall Investments, Inc. dba Hanover Securities stated that Stonewall Investments, Inc. dba Hanover Securities met the identified exemption provisions throughout the most recent fiscal year without exception. Stonewall Investments, Inc. dba Hanover Securities 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 Stonewall Investments, Inc. dba Hanover Securities 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.

*Warren Averett, LLC*

Birmingham, Alabama  
February 19, 2020

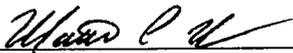


## The Exemption Report

The following statements are made to the best knowledge and belief of Joel L Banes as President/CEO for Stonewall Investments, Inc. dba Hanover Securities:

I, Matthew Monaco, as the President/CEO for Stonewall Investments, Inc. dba Hanover Securities, (the Company) am responsible for complying with 17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers" and complying with 17 C.F.R. §240.15c3-3: k(2)(ii) (the "exemption provisions"). I have performed an evaluation of the Company's compliance with the requirements of 17 C.F.R. §§240.17a-5 and the exemption provisions. Based on this evaluation, I assert the following:

(1) I identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R, § 240.15c3-3: k(2)(ii) (the "exemption provisions") and (2) the Company met the identified exemption provisions throughout the most recent fiscal year December 31, 2019 without exception.

  
\_\_\_\_\_  
Matthew Monaco

2/19/2020  
\_\_\_\_\_  
Date

**INDEPENDENT ACCOUNTANTS' REPORT ON  
APPLYING AGREED-UPON PROCEDURES**  
*Related to the Securities Investor Protection Corporation  
Assessment Reconciliation*

To the Board of Directors and Stockholder  
Stonewall Investments, Inc.  
6410 Poplar Avenue Suite 320  
Memphis, TN 38119

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2019, which were agreed to by Stonewall Investments, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Stonewall Investments, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Stonewall Investments, Inc.'s management is responsible for the Stonewall Investments, Inc.'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. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries [*We agreed the December 31, 2019 Form SIPC-7 remitted payment of \$2,697 to check #1143 and traced this payment as recorded to the Gen'l, Admin, Reg, and Misc: 17. H. Regulatory account #514 in the general ledger system of Stonewall Investments, Inc. on February 15, 2020. We also agreed the Form SIPC-6 remitted payment of \$1,902 to check #1126 and traced this payment as recorded to Gen'l, Admin, Reg, and Misc: 17. H. Regulatory account #514 in the general ledger system of Stonewall Investments, Inc. on July, 25, 2019*] noting no differences;

2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2019 (for Statement of Income (Loss) amounts that are presented on a quarterly basis in the Form X-17A-5, we aggregated the amounts for the periods presented for the period January 1, 2019 through March 31, 2019; April 1, 2019 through June 30, 2019; July 1, 2019 through September 30, 2019, and October 1, 2019 through December 31, 2019), as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2019, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers [*We agreed all adjustments to the trial balance noting clerical accuracy and recalculated the fee paid to the Securities Investor Protection Corporation*] supporting the adjustments noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. 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 the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Warren Averett, LLC*

February 19, 2020