

PUBLIC



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PART III**

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2022 AND ENDING 12/31/2022  
 MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF FIRM: Tourmaline Partners, LLC

TYPE OF REGISTRANT (check all applicable boxes):

- Broker-dealer     Security-based swap dealer     Major security-based swap participant  
 Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

680 Washington Boulevard, 10th Floor

(No. and Street)

Stamford

Connecticut

06901

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

James R. Conway                      203-302-7305                      jconway@tourmalinellc.com  
 (Name)                                      (Area Code – Telephone Number)                      (Email Address)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

Citrin Cooperman and Company, LLP

(Name – if individual, state last, first, and middle name)

290 W. Mt. Pleasant Avenue, Suite 3310    Livingston                      New Jersey    07039

(Address)

(City)

(State)

(Zip Code)

November 2, 2005

2468

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

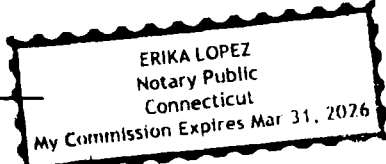
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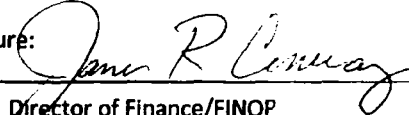
**PUBLIC**

**OATH OR AFFIRMATION**

I, James R. Conway, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Tourmaline Partners, LLC as of December 31, 2022 is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

  
Notary Public



Signature:   
Title: Director of Finance/FINOP

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

- (a) Statement of financial condition.
- (b) Notes to consolidated 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).
- (d) Statement of cash flows.
- (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- (f) Statement of changes in liabilities subordinated to claims of creditors.
- (g) Notes to consolidated financial statements.
- (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (t) Independent public accountant's report based on an examination of the statement of financial condition.
- (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- (z) Other: \_\_\_\_\_

\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.

# **TOURMALINE PARTNERS, LLC AND SUBSIDIARIES**

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**Citrin Cooperman & Company, LLP**  
Certified Public Accountants

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Livingston, NJ 07039  
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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
Tourmaline Partners, LLC and Subsidiaries

### **Opinion on the Financial Statement**

We have audited the accompanying consolidated statement of financial condition of Tourmaline Partners, LLC and Subsidiaries as of December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statement"). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of Tourmaline Partners, LLC and Subsidiaries as of December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

This consolidated financial statement is the responsibility of Tourmaline Partners, LLC and Subsidiaries' management. Our responsibility is to express an opinion on Tourmaline Partners, LLC and Subsidiaries' consolidated 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 Tourmaline Partners, LLC and Subsidiaries 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statement. We believe that our audit provides a reasonable basis for our opinion.

### Uncertainty Regarding Impacts of Recent Disruptions in U.S. Banking System

As discussed in Note 13 to the consolidated financial statements, in March 2023, the shut-down of certain financial institutions raised economic concerns over disruption to the U.S. banking system. Given the uncertainty of the situation, the related financial statement impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

We have served as Tourmaline Partners, LLC and Subsidiaries' auditor since 2015.  
Livingston, New Jersey  
March 27, 2023

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

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December 31, 2022

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### ASSETS

Cash and cash equivalents	\$ 6,984,421
Cash segregated in compliance with federal regulations and other restricted deposits	15,396,721
Receivables from clearing brokers, including clearing deposits of approximately \$3,063,000	11,083,407
Commissions and other receivable	4,760,295
Operating lease right-of-use assets, net	332,649
Property and equipment, net	587,805
Other assets	<u>953,269</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 40,098,567</u></b>

### LIABILITIES AND EQUITY

#### Liabilities

Accounts payable and accrued expenses	\$ 23,094,884
Operating lease liabilities	<u>419,605</u>
Total liabilities	<u>23,514,489</u>

#### Commitments and contingencies

#### Equity

Member's equity	17,399,251
Accumulated other comprehensive loss	<u>(815,173)</u>
Total equity	<u>16,584,078</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 40,098,567</u></b>

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 1. Nature of business

Tourmaline Partners, LLC ("Tourmaline Partners") is a limited liability company formed under the laws of the state of Connecticut on June 17, 2010. Tourmaline Partners is registered as a broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority, Inc. Additionally, Tourmaline Partners is registered as a foreign company with the Australian Securities and Investments Commission. Tourmaline Partners' operations are also conducted through its wholly-owned subsidiaries, Tourmaline (UK) Limited ("Tourmaline UK") and Tourmaline Associates (UK) Limited ("Tourmaline Associates") and their wholly owned subsidiary, Tourmaline Europe, LLP ("Tourmaline Europe"). Tourmaline Europe is authorized and regulated by the Financial Conduct Authority (the "FCA").

Tourmaline Partners, Tourmaline UK, Tourmaline Associates, and Tourmaline Europe (collectively, the "Company") execute trades in listed equities and options with or on behalf of, and earn commissions from, managers of private investment funds.

As of May 15, 2020, Tourmaline Partners is wholly owned by Tour Topco, LLC, a limited liability company formed under the laws of the state of Delaware on January 7, 2020.

### 2. Summary of significant accounting policies

#### *Principles of Consolidation*

The consolidated financial statement includes the accounts of Tourmaline Partners, Tourmaline UK, Tourmaline Associates, and Tourmaline Europe. All significant intercompany transactions and balances have been eliminated in consolidation.

#### *Basis of Presentation*

The consolidated Statement of Financial Condition has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

#### *Use of Estimates*

The preparation of consolidated Statement of Financial Condition in conformity with GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. In particular, estimates have been made in reference to the other investment valuations. Actual results could differ from those estimates.

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

The Company considers all highly liquid investments with remaining maturities of three months or less at acquisition to be cash equivalents.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

### 2. Summary of significant accounting policies (continued)

The following table provides a reconciliation of cash and cash equivalents, restricted cash and cash segregated under regulatory requirements reported within the statement of financial condition that sum to the total of the same such amounts shown in the statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 6,984,421	\$36,325,302
Cash segregated in compliance with federal regulations and other restricted deposits	<u>15,396,721</u>	<u>14,549,599</u>
Total cash and cash equivalents, restricted cash and cash segregated under regulatory requirements	<u>\$22,381,142</u>	<u>\$50,874,901</u>

#### *Cash Segregated in Compliance with Federal Regulations and Other Restricted Deposits*

Cash segregated in compliance with federal regulations and other restricted deposits consist of cash deposited in special bank accounts for the benefit of customers under SEC Rule 15c3-3 (see Note 9).

#### *Receivables from Clearing Brokers and Commissions Receivable*

The amounts receivable from broker and commissions receivable arise in the ordinary course of business and are pursuant to a clearing agreement with a clearing firm.

#### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and amortization. The Company provides for depreciation and amortization as follows:

Asset	Estimated Useful Life	Principal Method
Furniture and fixtures	3-7 years	Straight-line
Computer hardware	3-5 years	Straight-line
Computer software	3-5 years	Straight-line
Leasehold improvements	Shorter of useful life or lease term	Straight-line

#### *Impairment of Long-Lived Assets*

In accordance with GAAP, long-lived assets, including right-of-use assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured as the amount by which the carrying amount exceeds the estimated fair value of the assets. There was no impairment of long-lived assets recorded during the year ended December 31, 2022.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 2. Summary of significant accounting policies (continued)

#### *Client Commission Arrangements*

Institutional customers are permitted to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for these purposes are commonly referred to as "client commission arrangements."

#### *Foreign Currency Translation*

Assets and liabilities denominated in non-US currencies of Tourmaline Partners' foreign subsidiaries are translated into U.S. dollars at prevailing rates of exchange on the date of the consolidated statement of financial condition.

#### *Comprehensive Income (Loss)*

The Company reports and displays comprehensive income (loss) and its components in members equity. The components of other comprehensive income (loss), such as changes in foreign currency translation adjustments, are added to net income to arrive at comprehensive income (loss). Other comprehensive income (loss) items have no impact on net income as presented in the consolidated statement of operations and comprehensive income.

#### *Income Taxes*

Effective May 15, 2020, Tourmaline Partners became an entity disregarded for federal and state tax purposes, filing under the new name of Tour Topco, LLC as a continuation of the partnership in accordance with Internal Revenue Code ("IRC") section 708A, and analogous state tax laws.

Tour Topco, LLC is a limited liability company and is treated as a partnership for income tax reporting purposes. The Internal Revenue Code ("IRC") and analogous state tax laws provide that any income or loss is passed through to the members for federal and state income tax purposes. Accordingly, Tourmaline Partners has not provided for federal or state income taxes.

At December 31, 2022, management has determined that Tourmaline Partners had no significant uncertain tax positions that would require financial statement recognition. This determination will always be subject to ongoing reevaluation as facts and circumstances may require. Tourmaline Partners remains subject to U.S. federal and state income tax audits for all periods subsequent to 2018. Tourmaline Partners is subject to tax on income earned in Australia.

Tourmaline UK and Tourmaline Associates are subject to foreign corporate income taxes at a 19.0% tax rate

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 2. Summary of significant accounting policies (continued)

#### *Leases*

The Company determines if an arrangement is a lease at inception of the arrangement. To the extent an arrangement represents a lease, the Company classifies that lease as either an operating lease or a finance lease. The Company capitalizes operating leases on its consolidated statement of financial position through a right-of-use asset and a corresponding lease liability. ROU assets represent its right to use an underlying asset for the lease term and ROU lease liabilities represent its obligation to make lease payments arising from the lease.

ROU assets and liabilities are recognized at the commencement date of an arrangement based on the present value of lease payments over the lease term. Lease expense is recognized on a straight-line basis over the lease term.

See Note 5 for a summary of our rental commitments under operating leases as of December 31, 2022 and related disclosures.

#### *Current Expected Credit Losses*

ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326) dictates a credit loss methodology, Current Expected Credit Losses (CECL), which requires recognition of credit losses, while also providing additional transparency about credit risk.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized.

For financial assets measured at amortized cost (e.g., cash and cash equivalents and receivables from clients), the Company has concluded that there are de minimis expected credit losses based on the nature and contractual life or expected life of the financial assets and immaterial historic and expected losses.

#### *Fair Value of Investments*

ASC 820-10, Fair Value Measurements and Disclosures which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820-10 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements. Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820-10 establishes a fair value hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1 — Quoted prices in active markets for identical securities.
- Level 2 — Other significant observable inputs other than quoted prices in active markets (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 — Significant unobservable inputs (including the Company’s own assumptions in determining the fair value of investments). The following is a description of the valuation methodologies used for investments measured at fair value, based on the Statement of Financial Condition classification.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 2. Summary of significant accounting policies (continued)

#### *Fair Value of Investments (continued)*

The inputs or methodology used for valuing investments are not necessarily an indication of the risk associated with investing in those investments. A summary of the inputs used to value the Company's investment positions as of December 31, 2022 were as follows:

- Money market mutual fund — Based on quoted market prices in active markets.

### 3. Property and equipment

Property and equipment, net consisted of the following at December 31, 2022:

Furniture and fixtures	\$ 381,732
Computer hardware	1,213,309
Computer software	421,243
Leasehold improvements	<u>435,330</u>
	2,451,614
Less: accumulated depreciation	<u>(1,863,809)</u>
	<u>\$ 587,805</u>

### 4. Leases

Tourmaline Partners is obligated under operating lease agreements expiring through December 2023. Included in other assets at December 31, 2022, are security deposits related to these lease agreements in the approximate amount of \$106,000.

Tourmaline Europe is obligated under an operating lease for its London office space that expires in May 2023.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 4. Leases (continued)

Maturities of lease liabilities under non-cancellable operating leases as of December 31, 2022 are as follows:

<u>Year ending December 31,</u>	
2023	446,000
Total undiscounted lease payments	<u>\$ 446,000</u>
Less imputed interest	(26,000)
Total lease liabilities	<u>\$ 420,000</u>

Weighted average remaining lease term:  
Operating leases 0.75 years

Weighted average discount rate:  
Operating leases 6.33%

For the year ended December 31, 2022, cash paid for amounts included in the measurement of lease liabilities was approximately \$580,000.

### 5. Net capital requirement

As a registered broker-dealer, Tourmaline Partners is subject to the net capital requirements of the SEC's Uniform Net Capital Rule under Rule 15c3-1 of the Securities and Exchange Act of 1934 (Rule 15c3-1). The Company has elected to use the alternative method of computing regulatory net capital requirements provided for in Rule 15c3-1. Under the alternative method permitted by Rule 15c3-1, the Company must maintain net capital equal to the greater of 2% of aggregate customer-related debit items, as defined, or \$250,000, whichever is greater. At December 31, 2022, Tourmaline Partners' net capital was approximately \$10,459,000 which was approximately \$10,209,000 in excess of its minimum requirement of \$250,000.

Tourmaline Europe is required under FCA Rules to maintain capital equivalent to the greater of one quarter of its estimated projected annual fixed overhead expenditure or the base capital resource requirement for a BIPRU50k firm of \$60,000. At December 31, 2022, Tourmaline Europe was in compliance with FCA capital requirements.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 6. Off-balance sheet risk and concentration of credit risk

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event that other counterparties are unable to fulfill their contractual obligations.

The clearing operations for securities transactions are provided by various brokers. These brokers are members of major securities exchanges. At December 31, 2022, all of the securities owned and the amounts due from brokers reflected in the consolidated statement of financial condition are positions held by, and amounts due from, such brokers. Amounts due from brokers may be restricted to the extent that they serve as deposits for securities sold, not yet purchased. The Company is subject to credit risk should these brokers be unable to fulfill their obligations to return the Company's securities or repay amounts owed. Substantially all of the Company's receivables from brokers relates to cash balances on deposit and approximately \$3,063,000 required by the clearing brokers to be maintained on deposit.

From time to time, the Company will maintain cash balances in financial institutions which at times may exceed insured limits based on the jurisdiction of the financial institution. The Company is subject to credit risk to the extent any financial institution with which it conducts business is unable to fulfill contractual obligations on its behalf. Management monitors the financial condition of such financial institutions and does not anticipate any losses from these counterparties.

At December 31, 2022, the Company held assets, primarily cash, outside of the United States as follows: UK \$2,437,000; Australia \$178,000; Italy \$209,000. Such balances are partially covered by insurance schemes in the countries in which they are held.

The Company is subject to claims and legal proceedings that arise in the ordinary course of its business activities. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Company.

During the year ended December 31, 2022, the Company had one major customer that aggregated approximately 11% of total revenues. Commission receivable due from this customer was approximately \$412,000 at December 31, 2022.

### 7. Employee benefit plans

Tourmaline Partners maintains a retirement plan (the "US Plan"), pursuant to Section 401(k) of the IRC, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the IRC. Tourmaline Partners may make a matching contribution at the discretion of the Board of Directors.

Tourmaline Europe maintains a retirement plan (the "UK Plan") pursuant to the Pensions Act 2008, for eligible participants to make voluntary contributions of their annual compensation, on a deferred basis, subject to the limitations provided by the UK Plan. Tourmaline Europe is required by applicable regulations to make a matching contribution of 5% should a participant opt into the UK Plan.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 8. Exemption from Rule 15c3-3

Tourmaline Partners is exempt from SEC Rule 15c3-3 pursuant to provision (k)(2)(ii) with respect to clearing all transactions on a fully disclosed basis through its clearing firm. Further, Tourmaline Partners operates pursuant to the exemptive provision (k)(2)(i) of Rule 15c3-3 with respect to its soft dollar business and, as such, segregates funds accordingly in a "Special Reserve Bank Account for the Exclusive Benefit of Customers." The funds segregated in this account, approximating \$15,397,000 at December 31, 2022, are not used in the normal business operations of the Company.

### 9. Soft dollar transactions

During 2022, Tourmaline Partners entered into soft dollar arrangements with certain clients within the provisions of Rule 28(e). Section 28(e) of the Exchange Act establishes a safe harbor for money managers, which allows them to purchase research and brokerage services for clients using soft dollars. Other clients, specifically hedge funds, may still participate in the soft dollar program pursuant to the guidelines established in their fund documents. Under the soft dollar program, Tourmaline Partners uses clients accumulated soft dollar funds to pay brokerage and research related expenses on their behalf. At December 31, 2022, the Company has an outstanding liability of approximately \$15,519,000 included in accounts payable and accrued expenses in the consolidated statement of financial condition.

### 10. Fair value of investments

The following are the Company's investments owned by level within the fair value hierarchy at December 31, 2022.

	Level 1	Level 2	Level 3
Investment in money market mutual fund	\$2,853,944		

There were no transfers of assets between Level 2 and Level 3 during the year ended December 31, 2022.

### 11. Subsequent events

The Company has evaluated events occurring after the date of the statement of financial condition for potential recognition or disclosure in its financial statements. There were no material subsequent events that require recognition or additional disclosure except as noted below.

Subsequent to December 31, 2022, Tourmaline Partners executed a five year lease renewal for its Stamford Connecticut office that will expire on May 31, 2029.

Subsequent to December 31, 2022, the Member effected withdrawals of approximately \$2,900,000.

# TOURMALINE PARTNERS, LLC AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022

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### 12. Recent events relating to the disruption in the U.S. banking system

In March 2023, the shut-down of certain financial institutions raised economic concerns over disruption in the U.S. banking system. Although the U.S. government took actions to mitigate the effects of financial institution failures on the economy and strengthen public confidence in the U.S. banking system, there can be no certainty that the actions taken by the U.S. government will be effective. As of December 31, 2022 and as of the date these financial statements are issued, the Company did not maintain any cash and cash equivalents, and/or cash segregated in compliance with federal regulations and other restricted deposits amounts in any of the financial institutions that were shut-down.

As disclosed in Note 7, the Company is subject to credit risk, however, to the extent cash balances in financial institutions may exceed insured limits based on the jurisdiction of the financial institution. Although the Company did not maintain deposit accounts with Silicon Valley Bank and Signature Bank, the recent bank failures adversely impacted stock prices of various regional banks, including First Republic Bank (FRC), the bank where the Company maintained its CSA customer account balance reserves. Due to the FDIC seizure of Silicon Valley Bank, the rumors of potential for an industry wide run on the banking system, and the significant decrease in FRC's stock price, the Company approached JPMorgan Chase bank to open new accounts on March 10th. Due to the extreme stress on FRC's stock price in pre-market trading on March 13th, and JPMorgan Chase's inability to open new accounts in the required compressed timeframe, and given the credit exposure to CSA reserve account balances in excess of insured limits, management decided to take emergency action as precaution in order to safeguard these reserves and protect its customers' claims. The Company temporarily transferred \$13,000,000 in CSA reserves to its clearing broker with the intent to promptly transfer the funds to a new "Special Reserve Bank Account for the Exclusive Benefit of Customers" with JPMorgan Chase bank. These CSA fund reserve balances were maintained at the clearing broker until new bank accounts went live approximately 48 hours later.

Whereas pursuant to the exemptive provision (k)(2)(i) of Rule 15c3-3 the Company is required to segregate soft dollar funds in a "Special Reserve Bank Account for the Exclusive Benefit of Customers," these emergency actions caused a technical violation of this provision for 48 hours while funds were temporarily maintained with the Company's clearing broker. At no time during this emergency action were these CSA funds used to fund the firm's business or unavailable to client request. The company self-reported this technical violation to its Self-Reporting Organization (SRO) who indicated this is an industry-wide issue and has chosen to not pursue the matter further at this time. In addition to these actions, the Company has adopted a policy of maintaining redundant "Special Reserve Bank Account(s) for the Exclusive Benefit of Customers," in the event of a similar future disruption in the banking industry. Although management is actively monitoring these events, the related financial impact cannot be reasonably estimated at this time given the uncertainty of the situation.