WEALTH MANAGEMENT

Comerica Securities, Inc.
Member FINRA/SIPC

Comerica Securities, Inc.

Statement of Financial Condition (unaudited)

June 30, 2017

411 W. Lafayette, Detroit MI 48226

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Assets		
Cash and cash equivalents	$	64,873,542
Cash segregated for the benefit of customers		1,211,436
Trading securities owned, at fair value		4,268
Clearing deposit held at clearing organization		500,000
Receivables from brokers, dealers and clearing organizations		989,051
Receivables from affiliates		1,054,681
Premises, equipment and software, net of accumulated depreciation of $4,844,708		935,648
Deferred tax asset		1,678,587
Other assets		316,819
Total assets	$	71,564,032
Liabilities and shareholder's equity		
Liabilities:		
Payables to affiliates	$	4,320,089
Payables to customers		86,621
Accrued expenses and other liabilities		369,549
Deferred revenue		3,758,304
Total liabilities		8,534,563
Shareholder's equity:		
Common stock - $1 par value:		
50,000 shares authorized, issued and outstanding		50,000
Additional paid-in capital		47,175,440
Retained earnings		15,804,029
Total shareholder's equity		63,029,469
Total liabilities and shareholder's equity	$	71,564,032

See accompanying notes.

1. Organization

Comerica Securities, Inc. (the Company) is a broker/dealer, a federally Registered Investment Advisor, and a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation (SIPC). The Company provides services to retail and institutional clients. The Company may participate in firm commitment underwritings as a syndicate member. The Company is a wholly owned, indirect subsidiary of Comerica Incorporated (the Corporation).

2. Significant Accounting Policies

The following summarizes the significant accounting policies of the Company applied in the preparation of the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash in commercial bank accounts and money market investments with maturity of three months or less when purchased to be cash and cash equivalents. Money market investments are held in listed money market funds and are reported at fair value.

Cash Segregated for the Benefit of Customers

Cash is segregated in an unaffiliated special reserve account for the exclusive benefit of customers pursuant to federal regulations under Rule 15c3-3(e) of the Securities and Exchange Commission (SEC).

Trading Securities

Trading securities are recorded at fair value on a recurring basis. Realized trading gains and losses and unrealized gains and losses (fair value adjustments) are reported in "net profit on trading securities" in the statement of income.

2. Significant Accounting Policies (continued)

Clearing Deposit Held at Clearing Organization

Cash is held in a deposit account at the Company's clearing organization pursuant to a clearing agreement.

Premises, Equipment and Software

Premises, equipment, and software are carried at historical cost, net of accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets. Estimated useful lives are generally three years to eight years for equipment and software. Leasehold improvements are generally amortized over the terms of their respective leases, or ten years, whichever is shorter. Capitalized software includes purchased software and capitalizable application development costs associated with internally-developed software. The Company had $698,076 of unamortized capitalized software as of June 30, 2017.

Deferred Revenue

Deferred revenue represents incentives received in connection with various long-term service contracts and is amortized on a straight-line basis over the terms of the contracts. The amortized amount is included in "other expenses" on the statement of income.

Revenue Recognition

Revenues and expenses related to customer securities transactions are recorded on the settlement date. Commissions generally relate to customer orders to buy or sell securities and may be solicited or unsolicited. Proprietary securities transactions and related revenues and expenses are recorded on a trade date basis. Interest and dividend revenues earned from securities owned are accounted for on an accrual basis and are included in "other income" on the statement of income.

Revenue from underwriting participations includes management, underwriting, and selling concession fees, net of syndicate expenses, arising from securities offerings in which the Company acts as underwriter or agent. Revenues are recorded at the time the underwriting is complete and the revenue is reasonably determinable.

Investment advisory fees are recognized as revenue as services are performed based upon the terms of the advisory agreements, as a stated percentage of net assets under management.

2. Significant Accounting Policies (continued)

Income Taxes

The Company is included in a consolidated federal income tax return with the Corporation. The Company computes income tax expense and settles with the Corporation on the same basis as if the Company had filed a separate federal income tax return.

The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in income in the period that includes the enactment date.

Pending Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, "Leases (Topic 842)," (ASU 2016-02), to increase the transparency and comparability of lease recognition and disclosure. The update requires lessees to recognize lease contracts with a term greater than one year on the balance sheet, while recognizing expenses on the income statement in a manner similar to current guidance. For lessors, the update makes targeted changes to the classification criteria and the lessor accounting model to align the guidance with the new lessee model and revenue guidance. ASU 2016-02 is effective for the Company on January 1, 2019 and must be applied using the modified retrospective approach. Early adoption is permitted. The Company is currently evaluating the impact of adopting ASU 2016-02.

3. Fair Value Measurements

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction as of the measurement date. The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Trading securities and money market investments are recorded at fair value on a recurring basis. The Company had no liabilities that require fair value measurement as of June 30, 2017.

Financial instruments are categorized into a three-level hierarchy based on the markets in which the instruments are traded and the objectivity of the assumptions used to determine fair value.

3. Fair Value Measurements (continued)

The valuation methodologies and key inputs used to measure financial instruments recorded at fair value are described below:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets, such as stocks, exchange-traded funds, and mutual fund shares. Money market investments held in listed money market funds and reported in cash and cash equivalents on the statement of financial condition are included in Level 1.

- Level 2 – Valuation is based upon quoted prices for similar securities in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. This category includes state and municipal securities, corporate debt securities, and residential mortgage-backed securities.

- Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. Valuation techniques include use of discounted cash flow models and similar techniques.

The following table presents the recorded amount of assets measured at fair value on a recurring basis at June 30, 2017.

	Level 1
Money market investments (a)	$55,274,866
Trading securities:	
Equity securities	4,268
Total trading securities	4,268
Total assets at fair value	$55,279,134

(a) Included in cash and cash equivalents on the statement of financial condition.

There were no transfers of assets recorded at fair value on a recurring basis into or out of Level 1, Level 2, or Level 3 fair value measurements during the period ended June 30, 2017.

4. Related-Party Transactions

In the normal course of business, the Company engages in transactions with related parties, primarily Comerica Bank and the Corporation.

Comerica Bank also pays certain expenses on behalf of the Company and is subsequently reimbursed for such payments. Included in payables to affiliates of $4,320,089 at June 30, 2017 are amounts due to Comerica Bank and the Corporation of $3,705,164 and $524,925, respectively. Receivables from affiliates totaled $1,054,681 at June 30, 2017 and included current tax receivable and other receivables due from Comerica Bank.

The Company has a $50 million secured line of credit with Comerica Bank. Interest is charged on the short-term borrowings under the line at a variable rate based on the federal funds rate. There were no short-term borrowings outstanding at June 30, 2017.

5. Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Company enters into various commitments to purchase securities from underwriters and sell such securities to customers. These commitments may have settlement terms up to 45 days. These transactions are not reflected in the Company's statement of financial condition. They are conducted on a "when, as, and if-issued" basis and, as such, there is no obligation to the seller or the buyer if the bonds are not issued. However, credit risk results from the possible inability of the purchaser to take delivery of issued securities in accordance with the agreement and, to the extent open purchase commitments exceed sales commitments, market risk exists related to any price movement between the time of purchase and the sale date. At June 30, 2017, there were approximately $25,787,000 of outstanding commitments to purchase securities and $25,787,000 of outstanding commitments to sell securities.

6. Net Capital Requirements

As a registered broker/dealer, the Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1). Based on the provisions of this rule, the Company must maintain minimum net capital, as defined, equivalent to the greater of $250,000 or 1/15th of aggregate indebtedness, as defined. At June 30, 2017, net capital was $55,989,825 and required net capital was $309,655. The ratio of aggregate indebtedness to net capital (which may not exceed 15 to 1) was 0.08 to 1.

7. Income Taxes

The principal component of the deferred tax asset of $1,678,587 at June 30, 2017 was deferred revenue.

8. Commitments and Contingencies

The Company recognizes liabilities for contingencies when analysis indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The Company is subject to various pending or threatened legal proceedings arising out of the normal course of business or operations. In view of the inherent uncertainty of such matters, the Company cannot state the eventual outcome of these matters. Based on current knowledge and after consultation with legal counsel, management believes that current reserves are adequate, and the amount of any incremental liability arising from these matters is not expected to have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

For matters where a loss is not probable, the Company has not established legal reserves. Based on current knowledge, expectation of future earnings, and after consultation with legal counsel, the Company believes the maximum amount of reasonably possible losses would not have a material adverse effect on the Company's financial condition, results of operations or cash flows. Depending on future developments, it is possible that the ultimate resolution of these matters may be material to the Company's financial condition, results of operations or cash flows.

As a participant in underwriting syndicates, the Company may become contingently liable for its prorated portion of any trading loss assumed by the syndicate due to the syndicate's remarketing obligations arising with respect to an offering. At June 30, 2017, no contingent liability existed relating to underwriting transactions.