Incapital LLC

(SEC I.D. No. 8-52081)

Financial Statements, Supplemental Schedules, and Exemption Report as of and for the Year Ended December 31, 2017 and Accompanying Reports of Independent Registered Public Accounting Firm

This report is deemed **CONFIDENTIAL** in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934. A Statement of Financial Condition and Report of Independent Registered Public Accounting Firm, bound separately, has been filed with the Securities and Exchange Commission simultaneously herewith as a Public Document.

OMB APPROVAL
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-52081

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 **01/01/17** (MM/DD/YY) AND ENDING **12/31/17** (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: **Incapital LLC**

OFFICIAL USE ONLY
FIRM ID. NO.

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

200 South Wacker Drive, Suite 3700
(No. and Street)

Chicago	**Illinois**	**60606**
(City)	(State)	(Zip Code)

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

Thomas J. Belka **312-379-3700**
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

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

1 N. Wacker Drive	**Chicago**	**Illinois**	**60606**
(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)

OATH OR AFFIRMATION

I, Tom Belka, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Incapital LLC (the "Company"), for the year ended December 31, 2017, are true and correct. I further 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.

Thomas J Belka
Signature

2/28/18
Date

Title: Chief Financial Officer

Patricia Allen
Notary Public

2/28/18
Date

OFFICIAL SEAL
PATRICIA E ALLEN
NOTARY PUBLIC - STATE OF ILLINOIS
MY COMMISSION EXPIRES:04/19/22

INCAPITAL LLC

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

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3) pwc

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Member:

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Incapital LLC ("the Company") as of December 31, 2017, and the related statements of operations, of changes in member's equity and of cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017, 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 the Company's management. Our responsibility is to express an opinion on the Company's 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 the Company 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 these financial statements 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.

Supplemental Information

The accompanying computation of net capital for brokers and dealers pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 and the computation for determination of reserve requirements for brokers and dealers and information relating to possession or control pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. 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 Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the computation of net capital for brokers and dealers pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934 and the computation for determination of reserve requirements for brokers and dealers and information relating to possession or control pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 is fairly stated, in all material respects, in relation to the financial statements as a whole.

PricewaterhouseCoopers LLP

February 28, 2018

We have served as the Company's auditor since 2011.

INCAPITAL LLC

STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2017

ASSETS

Cash	$	547,519
Securities owned — at fair value		377,899,700
Securities purchased under agreements to resell		45,306,918
Receivable from broker dealers		15,593,964
Other assets		2,330,298
Total assets	$	441,678,399

LIABILITIES AND MEMBER’S EQUITY

LIABILITIES:		
Payable to parent and affiliate	$	2,358,666
Payable to broker dealers		867,005
Securities sold, not yet purchased — at fair value		258,362,942
Securities sold under agreements to repurchase		139,463,925
Other liabilities		7,456,220
Total liabilities		408,508,758
MEMBER’S EQUITY		33,169,641
Total liabilities and member's equity	$	441,678,399

The accompanying notes are an integral part of these financial statements.

INCAPITAL LLC

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUES:	
Syndicate and management fees	$ 45,060,970
Trading revenue	14,629,113
Interest income	11,923,814
Other income	868,235
Dividends	56,693
Total revenues	72,538,825
EXPENSES:	
Compensation and benefits	44,705,764
Management fees to Parent	8,227,115
General and administrative	9,913,176
Clearing and other trading fees	7,821,409
Legal and consulting fees	716,645
Interest expense	5,201,498
Other expense	3,347,077
Total expenses	79,932,684
Net loss	$ (7,393,859)

The accompanying notes are an integral part of these financial statements.

INCAPITAL LLC

STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

Balance — January 1, 2017	$	42,563,500
Capital withdrawals	$	(2,000,000)
Net loss		(7,393,859)
Balance — December 31, 2017	$	33,169,641

The accompanying notes are an integral part of these financial statements.

INCAPITAL LLC

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$	(7,393,859)
Adjustments to reconcile net loss to net cash used by operating activities		
Securities owned — at fair value		(89,596,919)
Securities purchased under agreements to resell		(24,058,811)
Receivable from broker dealers		(11,884,557)
Other assets		(542,516)
Payable to Parent		1,505,598
Payable to broker dealers		(27,848,807)
Securities sold, not yet purchased — at fair value		100,132,370
Other liabilities		(389,769)
Net cash used by operating activities		(60,077,270)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Contingent proceeds from sale of division		1,297,071
Net cash provided by investing activities		1,297,071
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital withdrawals		(2,000,000)
Securities sold under agreements to repurchase, net		60,649,188
Net cash provided by financing activities		58,649,188
Net decrease in cash		(131,011)
Cash — Beginning of year		678,530
Cash — End of year	$	547,519
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest	$	5,239,066

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND NATURE OF BUSINESS

Incapital LLC (the "Company"), an Illinois limited liability company, is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA"). The Company engages in the underwriting and trading of debt securities.

The Company is a wholly owned subsidiary of Incapital Holdings LLC (the "Parent").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates — The preparation of the financial statements 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.

Securities Owned and Securities Sold, Not Yet Purchased — Securities owned and securities sold, not yet purchased, consist of securities underwritten by the Company or purchased in the secondary market. They are reported in the Statement of Financial Condition at fair value based on quoted market prices, prices for similar securities, or prices based on models using observable inputs. Pricing inputs include US Treasury rates, swaps, swaption volatility quotes, credit spreads, and observable trades from both the Trade Reporting and Compliance Engine developed by FINRA and dealers.

Derivative Financial Instruments — Derivative financial instruments ("Derivatives") used for trading purposes, including economic hedges of trading instruments, are carried at fair value. Fair values for exchange-traded derivatives, principally futures, are based on quoted market prices.

Realized gains or losses on Derivatives are recognized in the Statement of Operations with trading revenues. Fair values of exchange-traded futures are recorded in receivable from broker dealers on the Statement of Financial Condition.

Resale and Repurchase Agreements — Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings. It is the policy of the Company to obtain possession of collateral with a fair value approximately equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. The Company may also be required by counterparties to deposit additional collateral on a daily basis on sales of securities under agreements to repurchase.

Revenue Recognition — Revenues from best efforts and firm commitment underwriting transactions are recorded when each offering closes and are included in syndicate and management fees in the accompanying Statement of Operations.

Securities transactions revenues, which are reflected as trading revenue in the Statement of Operations, and the related expenses, are recorded on a trade date basis. Both interest income and dividend income are directly tied to the inventory related to trading revenue and are recorded on a trade date basis.

Other income, which is reflected in the Statement of Operations, is assessed on an individual contract basis to determine performance obligations related to each contract. Revenue related to each contract is recorded once all performance obligations are complete.

During 2017, the Company received proceeds of $1.3 million related to the sale of its unit investment trust division, which was reflected in the gain on sale on the statement of operations for the year ended December 31, 2016.

Income Taxes — The Company is treated as a partnership for U.S. tax purposes. The Company is subject to Unincorporated Business Tax in New York City ("NYC"), which approximated $171,779 and is reflected in other expenses on the Statement of Operations for the year ended December 31, 2017, $97,500 of which is accrued and reflected in other liabilities, in the Statement of Financial Condition. $216,804 has been paid. ASC No. 740, *Income Taxes*, requires the Company to determine whether a tax position has a greater than fifty percent likelihood of being realized upon settlement with the applicable taxing authority, which could result in the Company recording a tax liability that would reduce net income. The Company does not have any significant uncertain tax positions as of December 31, 2017 and is not aware of any tax positions that will significantly change during the next twelve months. The tax information for the year ending December 31, 2014 remain open to examination by federal authorities under the statute of limitations. The years open to examination by state and other local government authorities vary by jurisdiction, but the statute of limitations is generally three to four years from the date the tax return is filed.

3. FAIR VALUE MEASUREMENTS

Securities owned and securities sold, not yet purchased, as of December 31, 2017, are as follows:

	Owned	Sold, Not Yet Purchased
Level 1		
Futures contracts	16,421 *	-
Total Level 1	16,421	-
Level 2		
Corporate debt securities	48,910,154	19,022,564
U.S. Treasuries	27,537,176	87,792,191
Agency securities	125,438,308	-
Mortgage backed securities	172,237,611	151,548,187
Brokered certificates of deposit	3,776,451	-
Total Level 2	377,899,700	258,362,942
Level 3	-	-
Total	$ 377,916,121	$ 258,362,942

*Included in receivable from broker dealers on the Statement of Financial Condition.

The Company held no Level 3 securities during the year ended December 31, 2017. There were no transfers between the fair value hierarchy levels during the year ended December 31, 2017.

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 securities measured at fair value, based on the Statement of Financial Condition classification.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. A summary of the inputs used to value the Company's security positions as of December 31, 2017 were as follows:

- *Futures* — Based on quoted market prices in active markets.
- *Corporate debt, U.S. Treasuries and Agency securities* — Based on quoted market prices, prices for similar securities, or prices based on models using observable inputs. Pricing inputs include US Treasury rates, swaps, swaption volatility quotes, credit spreads, and observable trades from both the Trade Reporting and Compliance Engine developed by FINRA and dealers.
- *Mortgage backed securities* — Based on quoted market prices, prices for similar securities, or prices based on models using observable inputs. Pricing inputs include U.S. Treasury rates, To-Be-Announced mortgage pool prices, credit spreads, and prepayment forecasts.
- *Brokered certificates of deposit* — Based on quoted market prices, prices for similar securities, or prices based on models using observable inputs. Pricing inputs include U.S. Treasury rates, and credit spreads.

4. MANAGEMENT FEES

The Company has entered into a management agreement (the "Agreement") with the Parent, whereby the Parent provides the Company with administrative services and office facilities in exchange for a management fee determined in accordance with the terms of the Agreement. The management fees for the year ended December 31, 2017 aggregated $8,227,115, of which $2,346,677 was unpaid at year-end and is included in payable to parent and affiliate on the Statement of Financial Condition.

The Company has entered into a management agreement (the "Affiliate Agreement") with an affiliate company, whereby the affiliate is a wholly owned subsidiary of the Parent. The Company provides the affiliate with administrative and management services in exchange for a management fee determined in accordance with the terms of the Affiliate Agreement. The management fees for the year ended December 31, 2017 aggregated $98,235, which are included in other income on the Statement of Operations, of which $11,989 was overpaid at year-end and is included in payable to parent and affiliate on the Statement of Financial Condition.

5. OFF-BALANCE SHEET RISK

The Company enters into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments include futures, which are used to manage market risks. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces such as volatility and changes in interest rates. Derivative transactions are entered into in an attempt to hedge other positions or transactions.

Futures contracts provide for the delayed delivery or purchase of securities at a specified future date at a specified price or yield. Futures contracts are executed on an exchange. The credit risk of exchange-traded financial instruments is reduced by the regulatory requirements of the individual exchanges. Cash settlement on futures contracts is made on a daily basis for market movements. The clearing organization acts as the counterparty to specific transactions and bears the risk of delivery to and from counterparties to specific positions. During the year ended December 31, 2017, the Company had an average monthly notional amount of $22,300,000 of derivative contracts outstanding. At December 31, 2017, the Company had a notional amount of $15,300,000 outstanding in derivative contracts, composed of 153 long interest rate futures contracts, which had one day of variation margin not settled of $16,421 and is included in receivables from broker dealers on the Statement of Financial Condition. The net realized gains and losses on the derivative contracts for the year ended December 31, 2017 were ($438,180), which is included in trading revenue in the Statement of Operations. Futures are recorded at fair value, which represents the difference between the contract price at the trade date and the closing price on the valuation date as reported on the exchange on which the futures contracts are traded. Futures contracts are classified as Level 1 within the fair value hierarchy.

The Company has sold securities that it does not currently own and is, therefore, obligated to purchase such securities at a future date. The Company has recorded these obligations in the Statement of Financial Condition at December 31, 2017 at the fair values of the related securities and will incur a loss if the fair value of the securities increases subsequent to December 31, 2017. Substantially all of the Company's securities owned, at fair value at December 31, 2017 have been pledged as margin with the firm's clearing broker dealer.

The Company finances a significant portion of its securities transactions. Financing risks include the exposure the Company has to margin requirements in place with clearing brokers and counterparties, and the risk that ongoing financing arrangements may not be available in the future at rates which are desirable to the Company. Changes in margin requirements, including the related changes in fair value of investments, may result in the Company having to pledge additional margin or to sell securities to meet required margin. These activities may take place when market conditions are not optimal and may result in a realized loss on securities transactions and additional margin requirements with clearing brokers and counterparties.

6. REGULATORY REQUIREMENTS

The Company, as a registered broker-dealer, is subject to the Uniform Net Capital Rule ("Rule 15c3-1") under the Securities Exchange Act of 1934 and is required to maintain "minimum net capital" equivalent to the greater of $250,000 or 6-2/3% of "aggregate indebtedness," as these terms are defined.

At December 31, 2017, the Company had net capital, as defined, of $19,644,219, which was $18,975,773 in excess of its required net capital of $668,446. The Company's ratio of aggregate indebtedness to net capital was 0.51 to 1.

As an introducing broker-dealer, the Company does not take possession or control of cash or securities for customers and, therefore, claims exemption from the possession or control and reserve requirements based on Rule 15c3-3(k)(2)(ii) under the Securities Exchange Act of 1934.

7. RELATED PARTIES

The Company derives a significant portion of its revenues from the underwriting of debt instruments of corporate and agency issuers. One of the Company's corporate issuers is a unit holder of the Parent. The

Company performs underwriting services for the unit holder and the unit holder's affiliates and from time-to-time may hold investments in financial instruments issued by the unit holder or the unit holder's affiliates.

The Company entered into a $10,000,000 revolving loan agreement on August 1, 2013 with its Parent with a maturity date of July 31, 2018. The loan bears interest at the three-month Libor rate plus 100 basis points (2.69% at December 31, 2017). All accrued interest on the loan is due July 31 of each year until maturity or until paid in full. As of December 31, 2017, there were no amounts outstanding related to this loan agreement.

8. EMPLOYEE COMPENSATION AND BENEFITS

In April 2009, the Parent adopted the Incapital Holdings LLC Equity Incentive Plan (the "Plan"). The Plan provides the grant of equity-based awards in the form of restricted share units, options, or bonus shares of the Parent (collectively, "the Awards") to employees of the Company. The total number of shares authorized under the Plan is 1,250,000. The Plan is administered by the Parent's Compensation Committee (the "Committee"). The Committee has the authority and discretion to determine the extent and terms (including vesting) of the Awards granted, as well as those eligible to receive the Awards. The plan is classified as an equity-based plan.

Under the Plan, the Company is allowed to pay bonus compensation in shares of the Parent. During the year ended December 31, 2017, the Parent granted 5,000 restricted share units as bonus compensation to board members of the Company. This amount is net of forfeitures. The estimated fair value of these share awards on grant date totaled approximately $45,851. The Parent allocates share-based compensation expense to the Company as the board members are considered working for the Company. The shares awarded during the year ended December 31, 2017 have a two-year cliff vesting period and the expense is recognized ratably over the service period of two years. Compensation expense for the year ended December 31, 2017 related to these Awards was $19,104 and is included in compensation and benefits on the Statement of Operations.

During the year ended December 31, 2016, the Parent granted 145,144 restricted share units as bonus compensation to employees of the Company. The estimated fair value of these share awards on grant date totaled approximately $1,314,936. These amounts are net of forfeitures. The Parent allocates share-based compensation expense to the Company related to employees who provide services to the Company. The shares awarded during the year ended December 31, 2016 have a two-year cliff vesting period and the expense is recognized ratably over the service period of two years. Compensation expense for the year ended December 31, 2017 related to these Awards was $624,885 and is included in compensation and benefits on the Statement of Operations.

In January 2017, the Parent adopted the Incapital Holdings LLC Equity Tracking incentive Plan (the "Tracking Plan"). The Tracking Plan provides the grant of Equity Tracking Units ("the ETU Awards") of the Parent to employees of the Company. The Tracking Plan is administered by the Equity Tracking Incentive Plan Review Committee (the "ETI Committee") appointed by the board of the Parent but, with oversight from the Parent's Compensation Committee. The ETI Committee has the authority and discretion to determine the extent and terms (including vesting) of the ETU Awards granted, as well as those eligible to receive the ETU Awards. The Tracking Plan is classified as a liability-based plan.

Under the Tracking Plan, the Company is allowed to pay bonus compensation in equity tracking units (ETUs) of the parent. During the year ended December 31, 2017, the Parent granted 120,172 ETU Awards as bonus compensation to employees who provide services to the Company. This amount is net of forfeitures. The estimated fair value of these ETU Awards on grant date totaled approximately $1,102,010. The ETUs awarded during the year ended December 31, 2017 vest equally on each of the second, third, and fourth anniversaries of the designated grant date and are expensed ratably over the period. Compensation expense for the year ended December 31, 2017 related to these ETU Awards was $160,029 and is included in compensation and benefits on the Statement of Operations.

The Parent of the Company also has 1,225,000 profits interest units outstanding at year end. These units were granted to employees of the Company in the previous year and have a five year vesting period. The estimated fair value of the awards totaled approximately $2,490,000 at the grant date. The Company will recognize the associated compensation expense over the applicable vesting period. During the year ended December 31, 2017, the Company recognized share based compensation expense of $498,087 related to this award, which is included in compensation and benefits in the accompanying Statement of Operations.

During the year ended December 31, 2017, the Company recognized $219,278 in share based compensation in relation to units issued under a note receivable. Based on the terms of the note and other circumstances, the Company has elected to treat these units, in conjunction with the note, as stock options. The expense is included in compensation and benefits in the accompanying Statement of Operations.

Included in compensation and benefits expense in the accompanying Statement of Operations are amounts due under various employee severance agreements. Amounts payable as of December 31, 2017 are included in other liabilities in the accompanying Statement of Financial Condition.

9. COLLATERAL

Securities purchased under agreements to resell and securities sold under agreements to repurchase result from transactions with other brokers and dealers. These are accounted for as collateralized financing transactions and are recorded at the amount of cash collateral advanced or received. Securities purchased under agreements to resell transactions require the Company to deposit cash or other collateral with the lender. As of December 31, 2017, the Company advanced $45,306,918 of cash collateral with other brokers and dealers and received U.S. Treasury Securities with a market value of approximately $42,998,831 related to those transactions. Securities sold under agreement to repurchase transactions require the borrower to deposit cash or other collateral with the Company. As of December 31, 2017, the Company received $139,463,925 of cash collateral from security borrowers and loaned securities with a market value of $145,887,718 related to those transactions. The Company monitors the market value of securities sold under agreements to repurchase and loaned on a daily basis, with additional collateral obtained or refunded as necessary.

Interest is accrued on securities purchased under agreements to resell and securities sold under agreement to repurchase and the related amounts are included in other assets or liabilities in the Statement of Financial Condition. Interest income and expense are recognized on an accrual basis and included in interest income and interest expense in the Statement of Operations.

The following tables present, as of December 31, 2017, the gross liability for securities sold under repurchase agreements disaggregated by classes of collateral pledged and by remaining contractual maturity of the agreements.

Collateral	**Repurchase Agreements**
U.S. Treasuries	$ -
Mortgage backed securities	139,463,925
Total	$ 139,463,925

Contractual Maturity

	Overnight and Open	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase Agreements	$ 139,463,925	$ -	$ -	$ -	$ 139,463,925

The following table presents the gross and net repurchase agreements and futures contracts and the related offsetting amounts.

Offsetting of Financial Liabilities

	Gross amounts of recognized liabilities	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition	Net amount
Repurchase agreements	$ 139,463,925	$ -	$ 139,463,925	$ 139,463,925	$ -

Offsetting of Financial Assets and Derivative Assets

	Gross amounts of recognized assets	Gross amounts offset in the statement of financial condition	Net amounts of assets presented in the statement of financial condition	Gross amounts not offset in the statement of financial condition	Net amount
Futures contracts	$ 16,421	$ -	$ 16,421	$ 16,421	$ -
Reverse Repurchase agreements	$ 45,306,918	$ -	$ 45,306,918	$ 42,998,831	$ 2,308,087
Total	$ 45,323,339	$ -	$ 45,323,339	$ 43,015,252	$ 2,308,087

The amount of collateral is limited to the total net exposure (prior to collateral) by counterparty.

10. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company is involved in legal, regulatory and arbitration proceedings, including class actions, primarily concerning matters arising in connection with the conduct of its broker dealer activities. These include proceedings specific to the Company, as well as proceedings generally applicable to business practices in the industries in which it operates. Uncertain economic conditions, heightened and sustained volatility in the financial markets, and significant financial reform legislation may increase the likelihood that clients and other persons or regulators may present or threaten legal claims or that regulators increase the scope or frequency of examinations of the Company or the financial services industry generally.

11. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through the date the financial statements were available for issuance. On February 23, 2018, the Company made a capital withdrawal of $1,500,000 to the Parent. No other events requiring disclosure or recognition were identified.

* * * * * *

SUPPLEMENTAL SCHEDULES

INCAPITAL LLC

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 AS OF DECEMBER 31, 2017

TOTAL MEMBER'S EQUITY	$	33,169,641
DEDUCTIONS AND CHARGES:		
Haircuts on debt securities		9,107,567
Haircuts on brokered certificates of deposit		85,655
Undue concentration haircuts		123,081
Non-marketable securities		196,586
Futures contracts		288,225
Other deductions and charges		2,532,712
Nonallowable assets — receivable from broker dealers		540,703
Nonallowable assets — other assets		650,893
		13,525,422
NET CAPITAL		19,644,219
MINIMUM NET CAPITAL REQUIREMENT — (Greater of $250,000 or 6-2/3% of aggregate indebtedness)		668,446
NET CAPITAL IN EXCESS OF REQUIREMENT	$	18,975,773
AGGREGATE INDEBTEDNESS:		
Payable to parent and affiliate		2,358,666
Payable to broker and dealers		867,005
Other liabilities		6,801,018
TOTAL AGGREGATE INDEBTEDNESS	$	10,026,689
RATION OF AGGREGATE INDEBTEDNESS TO NET CAPITAL		0.51 to 1

There are no material differences between the information presented above and the information presented in the Company's December 31, 2017 unaudited FOCUS Part II Report as amended on February 22, 2018.

INCAPITAL LLC

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS AND INFORMATION RELATING TO POSSESSION OR CONTROL PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS OF DECEMBER 31, 2017

The Company does not take possession or control of cash or securities for customers and, therefore, claims exemption from the possession or control and reserve requirements based on Rule 15c3-3(k)(2)(ii) under the Securities Exchange Act of 1934.

There are no material differences between the information presented above and the information presented in the Company's December 31, 2017 unaudited FOCUS Part II Report as amended on February 22, 2018.

Incapital LLC's Exemption Report

Incapital LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provision of 17 C.F.R. § 240.15c3-3(k): (2)(ii).

(2) The Company met the identified exemption provision in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year without exception.

I, Thomas Belka, affirm that, to my best knowledge and belief, this Exemption Report is true and correct.

Thomas J Belka

Chief Financial Officer

Incapital LLC

February 28, 2018

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Management:

We have reviewed Incapital LLC's assertions, included in the accompanying Incapital LLC Exemption Report, in which (1) the Company identified 17 C.F.R. § 240.15c3-3(k) (2)(ii) as the provision under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3 (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the year ended December 31, 2017 without exception. The Company's management is responsible for the assertions and for compliance with the identified exemption provision throughout the year ended December 31, 2017.

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 the Company's compliance with the exemption provision. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assertions. 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 assertions 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 17 C.F.R. § 240.15c3-3.

PricewaterhouseCoopers LLP

February 28, 2018

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