

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

OMB APPROVAL

OMB Number: 3235-0123  
Expires: Oct. 31, 2023  
Estimated average burden  
hours per response: 12

SEC FILE NUMBER

8-68690

ANNUAL REPORTS  
FORM X-17A-5  
PART III

FACING PAGE

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

FILING FOR THE PERIOD BEGINNING 01/01/22 AND ENDING 12/31/22  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: MBS Capital Markets, 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.)

1902 S. Macdill Ave

(No. and Street)

Tampa

FL

33629

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Edwin Bulleit

813-281-2700

ebulleit@mbscapitalmarkets.com

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

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

Accell Audit & Compliance, P.A

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

3001 N. Rocky Point Dr. East, STE 200 Tampa

FL

33607

(Address)

(City)

(State)

(Zip Code)

3289

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

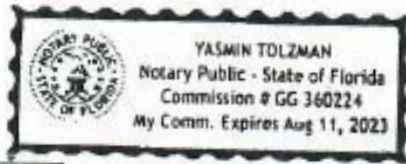
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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii),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

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, Edwin Bulleit, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of MBS Capital Markets, LLC, as of 12/31, 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.



Signature: [Signature]

Title:

Managing Member

### 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.**

**MBS CAPITAL MARKETS, LLC**

**Financial Statements  
and  
Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934**

**December 31, 2022  
(With Reports of Independent Registered Public Accounting Firm Thereon)**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members  
of MBS Capital Markets, LLC

### Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of MBS Capital Markets, LLC as of December 31, 2022, the related statements of income and members' equity, and cash flows for the year then ended, and the related notes and supplemental information (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of MBS Capital Markets, LLC as of December 31, 2022, 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 MBS Capital Markets, LLC's management. Our responsibility is to express an opinion on MBS Capital Markets, LLC'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 MBS Capital Markets, LLC 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.

### Auditor's Report on Supplemental Information

Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission; Schedule II – Computation for Determination of Reserve Requirements; and Schedule III – Information Relating to Possession or Control Requirements Under Rule 15c3-3 have been subjected to audit procedures performed in conjunction with the audit of MBS Capital Markets, LLC's financial statements. The supplemental information is the responsibility of MBS Capital Markets, LLC's 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, Schedules I, II and III are fairly stated, in all material respects, in relation to the financial statements as a whole.

*Accell Audit & Compliance, PA*

We have served as MBS Capital Markets, LLC's auditor since 2015.

Tampa, Florida

February 28, 2023

**MBS CAPITAL MARKETS, LLC**

**Statement of Financial Condition**

**December 31, 2022**

**Assets**

Cash and cash equivalents	\$	3,041,170
Deposits with clearing agency		150,000
Marketable securities, at amortized cost		1,973,104
Marketable securities, at fair value		404,081
Interest receivable		67,023
Other assets		29,702
Right of use asset - lease		389,573
Furniture and equipment, net		<u>32,670</u>
Total Assets	\$	<u>6,087,323</u>

**Liabilities and Members' Equity**

**Liabilities**

Accounts payable and accrued liabilities	\$	935,121
Lease liabilities		<u>395,546</u>

Total Liabilities 1,330,667

**Members' Equity**

4,756,656

Total Liabilities and Members' Equity \$ 6,087,323

See accompanying report of independent registered public accounting firm and notes to financial statements.

**MBS CAPITAL MARKETS, LLC**

**Statement of Income and Members' Equity**

**December 31, 2022**

Revenue:

Underwriting	\$	5,574,150
Placement		1,241,260
Other revenue		126,748
Realized gain/(loss), net		<u>(267,419)</u>

Total Revenue		<u>6,674,739</u>
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Expenses:

Employee compensation and benefits		2,857,646
Other expenses		326,931
Rent expense		225,035
Professional services		171,780
Computer and internet		79,791
Clearing expense		76,374
Interest expense		<u>13,470</u>

Total Expenses		<u>3,751,027</u>
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Net Income		2,923,712
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Members' equity at beginning of year		7,832,944
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Member distributions		<u>(6,000,000)</u>
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Members' equity at end of year	\$	<u><u>4,756,656</u></u>
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See accompanying report of independent registered public accounting firm and notes to financial statements.

# MBS CAPITAL MARKETS, LLC

## Statement of Cash Flows

December 31, 2022

Cash flows from operating activities:	
Net income	\$ 2,923,712
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	8,686
Amortization of right of use assets	81,064
(Increase) decrease in operating assets:	
Marketable securities, at fair value	(239,832)
Other assets	(1,097)
Interest receivable	(67,023)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued liabilities	(707,966)
Lease liabilities	<u>(71,107)</u>
Net cash provided by operating activities	<u>1,926,437</u>
Cash flows from investing activities:	
Marketable securities, at amortized cost	(1,418,104)
Purchase of furniture and equipment	<u>(8,237)</u>
Net cash used in investing activities	<u>(1,426,341)</u>
Cash flows from financing activities:	
Member distributions	<u>(6,000,000)</u>
Net cash used in financing activities	<u>(6,000,000)</u>
Net decrease in cash and cash equivalents	(5,499,904)
Cash and cash equivalents at beginning of year	8,541,074
Cash and cash equivalents at end of year	<u>\$ 3,041,170</u>
Supplemental - cash paid for interest	\$ 13,470
Non-cash investing and financing	
Operating lease right of use assets exchanged for lease liabilities	\$ 245,606

See accompanying report of independent registered public accounting firm and notes to financial statements.



# MBS CAPITAL MARKETS, LLC

## Notes to Financial Statements

December 31, 2022

### (1) Nature of Business

MBS Capital Markets, LLC, (the “Company”) is a broker-dealer registered with the Securities and Exchange Commission (SEC), and is a member of the Financial Industry Regulatory Authority (FINRA). The Company was organized as a limited liability company in Florida in 2010 and is engaged to effect security transactions primarily in land secured municipal bonds.

### (2) Summary of Significant Accounting Policies

#### (a) Recently Adopted Accounting Standards

On January 1, 2022, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applied to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet (OBS) credit exposures. Implementation of the new pronouncement did not have an impact on the Company’s financial statements in 2022.

#### (b) Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update (ASU) 2014-09, “*Revenue from contracts with customers*” (Topic 606). Revenue is recognized when a customer obtains control of promised goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five-step model in order to determine this amount:

- i. Identification of the promised goods in the contract;
- ii. Determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract;
- iii. Measurement of the transaction price, including the constraint of variable consideration;
- iv. Allocation of the transaction price of the performance obligations; and
- v. Recognition of revenue when (or as) the Company satisfies each performance obligation.

# **MBS CAPITAL MARKETS, LLC**

## **Notes to Financial Statements**

**December 31, 2022**

The Company's main revenue stream is from placement and underwriting fees. The performance obligation associated with a typical underwriting agreement will be satisfied on the trade date, and the fees will be recognized as revenue at that time. The fees are recognized as income based on the percentage of bonds sold. There are no additional costs directly related to the contract.

The Company only applies the five-step model to contracts when it is probable the entity will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer. Once a contract is determined to be within the scope of Accounting Standards Codification (ASC) 606 at contract inception, the Company reviews the contract to determine which performance obligations the Company must deliver and which of these performance obligations are distinct. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligations when the performance obligation is satisfied or as satisfied. Generally, the Company's performance obligations are transferred to a customer at a point in time typically upon delivery.

### **(c) Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### **(d) Income Taxes**

As a limited liability company, the Company's taxable income or loss is allocated to its members in accordance with the operating agreement. Therefore, no provision or liability for income taxes has been included in the financial statements.

The Company accounts for income taxes in accordance with ASC Topic 740, "*Income Taxes*". This standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company has no uncertain tax positions as of December 31, 2022. The Company's income tax returns are generally subject to taxing authority examinations up to three years after the returns are filed.

### **(e) Marketable Securities**

Marketable securities that are available-for-sale are reported at values, other than quoted prices in active markets, that are observable either directly or indirectly and unobservable values in which there is little or no market data. All transactions entered into are for the account of and risk of the Company and are recorded on a trade date basis. Marketable securities that are held-to-maturity are reported at amortized cost.

### **(f) Use of Estimates**

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 various reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

# MBS CAPITAL MARKETS, LLC

## Notes to Financial Statements

December 31, 2022

### (g) Furniture and Equipment, Net

Furniture and equipment are stated at cost, less accumulated depreciation. Furniture and equipment are depreciated based on the straight-line method over the estimated useful lives of the assets. Useful lives of assets are as follows:

<u>Asset Class</u>	<u>Useful life</u>
Furniture and equipment	7 Years

The cost of maintenance and repairs, which do not improve or extend the useful life of the respective asset, is charged to earnings as incurred, whereas significant renewals and improvements are capitalized.

### (h) Leases

The Company accounts for leases in accordance with ASU 2016-02, “*Leases (Topic 842)*.” Under this guidance, lessees (including lessees under leases classified as finance leases, which are to be classified based on criteria similar to that applicable to capital leases under current guidance, and leases classified as operating leases) will recognize a right-to-use asset and a lease liability on the balance sheet, initially measured as the present value of lease payments under the lease. As most of the leases do not provide an implicit rate, the Company generally uses the incremental borrowing rate based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date.

The Company has made an accounting policy election not to apply the recognition provisions of the new lease guidance to short term leases (leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise); instead, the Company will recognize the lease payments for short term leases on a straight-line basis over the lease term.

### (3) Concentrations of Credit Risk

The Company maintains all of its cash and cash equivalents in a commercial depository account which is insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash deposits may exceed federally insured limits.

The Company holds debt securities at year end that carry a credit risk associated with the municipalities’ ability to perform in accordance with the terms of the contract. The Company’s exposure to credit risk associated with counterparty nonperformance is limited to the value of the debt securities.

### (4) Allowance for Credit Losses

Allowance for Credit Losses – Held-to-Maturity Securities: Management measures no expected credit losses on held-to-maturity debt securities on a collective basis by all major security types. The Company holds one held-to-maturity debt security, the Olympus BAN Note, and does not expect credit losses due to the fact that the District securing the bonds is in the process of issuing

# MBS CAPITAL MARKETS, LLC

## Notes to Financial Statements

December 31, 2022

long-term debt, which will have sufficient funds to fully retire the BAN for both principal and accrued interest. The Olympus BAN matures on March 23, 2023, and has outstanding principal of \$1,973,104. The Company is currently accounting for the Olympus BAN in “Marketable securities, at amortized cost” as listed on the Balance Sheet.

Allowance for Credit Losses – Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security’s amortized cost basis is written down to fair value through income.

The Company holds two available-for-sale debt securities, which consist of municipal bonds, and does not expect any losses associated with the credit. Both bonds are paid for co-equal with taxes by the residents of the District, which is fully built out. By December 31, 2022, the District historically has collected 85%+ of its payment and is held as either cash or AAA government securities until payment. Additionally, the District holds a debt service reserve of 25% of the max annual debt service, sufficient to pay any shortfall in both principal and interest for the year. Given this analysis, there is no allowance for credit losses based on ASC 326 and the Company currently is accounting for the municipal bonds as detailed below based on ASC 820.

### (5) Deposits with Clearing Agency

The Company entered into a fully disclosed clearing agreement with Pershing, LLC (“Pershing”). Pershing carries the proprietary accounts of the Company and the accounts of the Company’s customers introduced to Pershing by the Company.

As of December 31, 2022, the Company had a cash deposit of \$150,000 with Pershing, of which \$100,000 was held by Pershing for potential unresolved Company claims, losses, or expenses incurred by Pershing.

### (6) Fair Value of Financial Instruments

The Company has adopted the provisions of ASC 820, *Fair Value Measurements and Disclosures* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. ASC 820 establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

# MBS CAPITAL MARKETS, LLC

## Notes to Financial Statements

December 31, 2022

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company held \$404,081 of marketable securities which consisted of municipal bonds at December 31, 2022. The pricing services typically use spreads obtained from broker-dealers, trade prices and the new issue market. As the significant inputs used to price the municipal bonds are observable market inputs, municipal bonds are classified as Level 2.

The following schedule details the level of the Company's financial instruments measured on a recurring basis:

Assets:	Level 1	Level 2	Level 3	Total
Marketable Securities				
Municipal Bonds	\$ -	\$404,081	\$ -	\$404,081
	\$ -	\$404,081	\$ -	\$404,081

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

### (7) Commitments and Contingencies

The Company is a registered broker-dealer and, as such is subject to the continual scrutiny of those who regulate its industry, including FINRA, the United States SEC, and the various securities commissions of the states and jurisdictions in which it operates. As part of the regulatory process, the Company is subject to routine examinations, the purpose of which is to determine the Company's compliance with rules and regulations promulgated by the examining regulatory authority. It is not uncommon for the regulators to assert, upon completion of an examination, that the Company has violated certain of these rules and regulations. Where possible, the Company endeavors to correct such asserted violations. In certain circumstances and depending on the nature and extent of the violations, the Company may be subject to disciplinary action, including fines.

### (8) Furniture and Equipment, Net

Furniture and equipment, net consisted of furniture and computer equipment of \$32,670, net of accumulated depreciation of \$55,412 as of December 31, 2022.

Depreciation expense for 2022 was approximately \$9,000.

### (9) Lease Commitments

The Company is obligated under a non-cancelable lease agreement for its office facility in Nashville, Tennessee, and Tampa, Florida.

The Company's Nashville office space was leased under a five-year term which expires on June 30, 2026. The monthly rent under the lease approximates \$4,000 – \$5,000, increasing annually through

# MBS CAPITAL MARKETS, LLC

## Notes to Financial Statements

December 31, 2022

maturity. The Company recognized on July 1, 2021 a lease liability, as well as right-of-use asset of \$241,585, which represents the present value of the payments, discounted using the Company's incremental borrowing rate of 4%.

The Company's Tampa office space was leased under a five-year term which expires on April 30, 2027. The monthly rent under the lease approximates \$4,000 – \$5,000, increasing through maturity. On May 1, 2022, the Company recorded a lease liability, as well as right-of-use asset of \$245,606, which represents the present value of the payments, discounted using the Company's incremental borrowing rate of 4%. Below is a schedule of future minimum rent payments under the operating leases.

Years ending December 31,	
2023	\$ 104,051
2024	107,343
2025	111,539
2026	86,572
2027	19,688
Total future minimum lease payments	<u>429,193</u>
Less interest	<u>(33,647)</u>
Total operating lease liability	<u>\$ 395,546</u>

The Company also has office space in Kingston, Tennessee and Winter Park, Florida. The Kingston office has a month-to-month lease with a related party that has a monthly rent of \$870. The Winter Park office has a month-to-month lease with a related party that has a monthly rent of \$7,923.

### (10) Related Party Transactions

The Company paid \$81,000 to a profit-sharing plan, representing the partner's employee contribution allowable in 2022, in which two of them are Trustees. As of December 31, 2022, the Company also accrued \$99,300 related to the Plan, which is included in accounts payable and accrued liabilities on the statement of financial condition.

In April 2014, a relative of one of the managing members purchased one of the office buildings that the Company leases in Winter Park. Total expense paid to this related party during the year ended December 31, 2022, was approximately \$95,000 and is included within rent expense on the statement of income and members' equity.

### (11) Indemnifications

In the normal course of business, the Company indemnifies and guarantees Pershing against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.



# **MBS CAPITAL MARKETS, LLC**

## **Notes to Financial Statements**

**December 31, 2022**

### **(12) Net Capital Requirements**

The Company is subject to SEC Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum regulatory net capital and a specified ratio of aggregate indebtedness to regulatory net capital. At December 31, 2022, the Company had net capital of \$2,626,874 which exceeded the capital requirement of \$100,000 by \$2,526,874. The Company's ratio of aggregate indebtedness to net capital was 0.36 to 1 at December 31, 2022.

### **(13) Employee Benefit Plan**

Effective October 1, 2012, the Company established the Trustees of MBS Capital Markets, LLC 401(k) Retirement and Savings Plan (the Plan) with Securian Company, a division of Minnesota Life Insurance Company. Under the terms of the Plan, employees may contribute up to 100% of their compensation subject to IRS limitations. The Company matches at least 3% of Plan compensation and, at its discretion, may make additional contributions. The Company's contributions to the Plan for the year ended December 31, 2022 were 6% for all employees and 10.28% for Edwin Bulleit, Brett Sealy, Cathy Connell, & Kendall Bulleit. Plan contributions are included in employee compensation and benefits in the statement of income and members' equity and in accounts payable and accrued liabilities on the statement of financial condition.

### **(14) Exemption Under Section (k)(2)(ii)**

The Company operates pursuant to the (k)(2)(ii) exemptive provisions of SEC Rule 15c3-3.

### **(15) Subsequent Events**

The Company has evaluated events and transactions for potential recognition and disclosure through February 28, 2023, the date which the financial statements were available to be issued.

**Supplementary Information**  
**Pursuant to Rule 17a-5 of the**  
**Securities Exchange Act of 1934**  
**as of December 31, 2022**

**MBS CAPITAL MARKETS, LLC**

**Schedule I: Computation of Net Capital Pursuant to Rule 15c3-1  
of the Securities and Exchange Commission**

**December 31, 2022**

Computation of net capital:

Members' equity	\$ 4,756,656
Less non-allowable assets:	
Other assets	<u>(129,395)</u>

Net capital before haircuts	<u>\$ 4,627,261</u>
-----------------------------	---------------------

Haircuts on security positions	<u>(2,000,387)</u>
--------------------------------	--------------------

Net capital	<u>\$ 2,626,874</u>
-------------	---------------------

Aggregate indebtedness

Total aggregate indebtedness - total liabilities	<u>\$ 941,094</u>
--	-------------------

Computation of basic net capital requirement

Minimum net capital required	<u>\$ 100,000</u>
------------------------------	-------------------

Excess net capital	<u>\$ 2,526,874</u>
--------------------	---------------------

Ratio of aggregate indebtedness to net capital	0.36
--	------

A reconciliation with the Company's computation (included in Part II of Form X-17A-5 as of December 31, 2022 is not presented as there are no material differences.

See accompanying report of independent registered public accounting firm and notes to financial statements.

**MBS CAPITAL MARKETS, LLC**

**Schedule II and III: Computation for Determination of Reserve Requirements  
and Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission**

**December 31, 2022**

The Company is not required to file the above schedule as it claims exemption from Rule 15c3-3 under Paragraph (k)(2)(ii) of the Rule.

See accompanying report of independent registered public accounting firm and notes to financial statements.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Members  
of MBS Capital Markets, LLC

We have reviewed management's statements, included in the accompanying Exemption Report for SEC Rule 15c3-3, in which (1) MBS Capital Markets, LLC identified the following provisions of 17 C.F.R. §15c3-3(k) under which MBS Capital Markets, LLC claimed an exemption from 17 C.F.R. §240.15c3-3: (k)(2)(ii) (exemption provisions) and (2) MBS Capital Markets, LLC stated that MBS Capital Markets, LLC met the identified exemption provisions throughout the most recent fiscal year without exception. MBS Capital Markets, LLC's 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 MBS Capital Markets, LLC'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 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.

*Accell Audit & Compliance, PA*

Tampa, Florida

February 28, 2023



# **MBS CAPITAL MARKETS, LLC**

## **Assertions Regarding Exemption Provisions**

We, as members of management of MBS Capital Markets, LLC (the Company), are responsible for compliance with the annual reporting requirements under Rule 17a-5 of the Securities Exchange Act of 1934. Those requirements compel a broker or dealer to file annual reports with the Securities Exchange Commission (SEC) and the broker or dealer's designated examining authority (DEA). One of the reports to be included in the annual filings is an exemption report prepared by an independent public accountant based upon a review of assertions provided by the broker or dealer. Pursuant to that requirement, the management of the Company hereby makes the following assertions:

### **Identified Exemption Provision:**

The Company claimed exemption from the custody and reserve provisions of Rule 15c3-3 by operating under the exemption provided by Rule 15c3-3, Paragraph (k)(2)(ii) throughout the year ended December 31, 2022.

### **Statement Regarding Meeting Exemption Provision:**

The Company met the identified exemption provision without exception throughout the year ended December 31, 2022.

MBS Capital Markets, LLC

By:

Ed Bulleit  
(Name)

Managing Member  
(Title)

February 28, 2023  
(Date)





REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON  
APPLYING AGREED-UPON PROCEDURES

Board of Directors and Members of MBS Capital Markets, LLC

We have performed the procedures included in Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and in the Securities Investor Protection Corporation (SIPC) Series 600 Rules, which are enumerated below on the accompanying General Assessment Reconciliation (Form SIPC-7) for the year ended December 31, 2022. Management of MBS Capital Markets, LLC (the "Company") is responsible for its Form SIPC-7 and for its compliance with the applicable instructions on Form SIPC-7.

Management of the Company has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting you and SIPC in evaluating the Company's compliance with the applicable instructions on Form SIPC-7 for the year ended December 31, 2022. Additionally, SIPC has agreed to and acknowledged that the procedures performed are appropriate for their intended purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. 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, noting no differences;
- 2) Compared the Total Revenue amounts reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2022 with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2022, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
- 4) Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers 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 engaged by the Company to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and in accordance with the standards of the Public Company Accounting Oversight Board (United States). We were not engaged to, and did not conduct an examination or a review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Company's Form SIPC-7 and for its compliance with the applicable instructions on Form SIPC-7 for the year ended December 31, 2022. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Company and SIPC and is not intended to be and should not be used by anyone other than these specified parties.

*Accell Audit & Compliance, PA*

Tampa, Florida

February 28, 2023

**SIPC-7**

(36-REV 12/18)

## SECURITIES INVESTOR PROTECTION CORPORATION

Mail Code: 8967 P.O. Box 7247 Philadelphia, PA 19170-0001

## General Assessment Reconciliation

12/31/22

For the fiscal year ended

(Read carefully the instructions in your Working Copy before completing this Form)

## TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

68690 FINRA DEC  
MBS CAPITAL MARKETS LLC  
1902 S MACDILL AVENUE  
TAMPA, FL 33629

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Ed Bulleit 813-784-2945

2. A. General Assessment (item 2e from page 2) \$9,877
- B. Less payment made with SIPC-6 filed (exclude interest) (7,610)
- November 10, 2022  
Date Paid
- C. Less prior overpayment applied (0)
- D. Assessment balance due or (overpayment) 2,267
- E. Interest computed on late payment (see instruction E) for 0 days at 20% per annum
- F. Total assessment balance and interest due (or overpayment carried forward) \$2,267
- G. PAYMENT: ☒ the box  
Check mailed to P.O. Box ☒ Funds Wired ☐ ACH ☐ 2,267  
Total (must be same as F above)
- H. Overpayment carried forward \$( )

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

MBS CAPITAL MARKETS LLC

(Name of Corporation, Partnership or other organization)



(Authorized Signature)

Dated the 28 day of February, 2023.

ED BULLEIT, MANAGING MEMBER

(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates:

Postmarked

Received

Reviewed

Calculations

Documentation

Forward Copy

Exceptions:

Disposition of exceptions:



**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning 1/1/2022  
and ending 12/31/2022

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

Eliminate cents  
\$ 6,674,739

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

(8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 13,470

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$

Enter the greater of line (i) or (ii)

Total deductions

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0015

76,374

13,470

89,844

\$ 6,584,895

\$ 9,877

(to page 1, line 2.A.)