

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

<b>OMB APPROVAL</b> OMB Number: 3235-0123 Expires: Oct. 31, 2023 Estimated average burden hours per response: 12
<b>SEC FILE NUMBER</b>  

**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 01/01/2022 AND ENDING 12/31/2022  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF FIRM: Flying Cloud Securities 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.)

201 California Street, Suite 350

(No. and Street)

San Francisco

California

94111

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

Justin Schleifer

415-890-6297

jschleifer@fcsecurities.com

(Name)

(Area Code – Telephone Number)

(Email Address)

**B. ACCOUNTANT IDENTIFICATION**

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

Spicer Jeffries

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

4601 DTC Boulevard, Suite 700 Denver

CO

80237

(Address)

(City)

(State)

(Zip Code)

10/20/2003

349

(Date of Registration with PCAOB)(if applicable)

(PCAOB Registration Number, if applicable)

**FOR OFFICIAL USE ONLY**

\* 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, Bartholamew Mallon, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of Flying Cloud Securities LLC, as of 12/31, 2023, 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.

**See Attached  
Acknowledgement/Jurat**

Signature: 

Title:  
President

\_\_\_\_\_  
Notary Public

### 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.**

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1–6 below)  
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], *not* Notary)

1  
2  
3  
4  
5  
6

Signature of Document Signer No. 1

Signature of Document Signer No. 2 (if any)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of San Francisco

Subscribed and sworn to (or affirmed) before me

on this 29th day of March, 2023,  
by Date Month Year

(1) Bartholameu Mallon

(and (2) \_\_\_\_\_),

Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence  
to be the person(s) who appeared before me.



Place Notary Seal Above

Signature

Signature of Notary Public

**OPTIONAL**

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

**Description of Attached Document**Title or Type of Document: Annual Reports Document Date: \_\_\_\_\_

Number of Pages: \_\_\_\_\_ Signer(s) Other Than Named Above: \_\_\_\_\_

**Flying Cloud Securities LLC  
Report Pursuant to Rule 17a-5(d)  
Year Ended December 31, 2022**

**The report is deemed Confidential in accordance with Rule 17a-5(e)(3) under Securities Exchange Act of 1934. A statement of financial condition has been filed with the Securities and Exchange Commission simultaneously herewith as a CONFIDENTIAL DOCUMENT.**

**FLYING CLOUD SECURITIES LLC  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To Members of  
Flying Cloud Securities LLC

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

We have audited the accompanying statement of financial condition of Flying Cloud Securities LLC (the “Company”) as of December 31, 2022, and the related statements of operations, changes in members’ equity and cash flows for the year then ended, and the related notes and schedules (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, 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 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 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 Computation of Net Capital has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company'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, the Computation of Net Capital is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, reading "Spicer Jeffries LLP". The signature is written in a cursive, flowing style.

We have served as Flying Cloud Securities LLC's auditor since 2014.

Denver, Colorado  
March 23, 2023

**FLYING CLOUD SECURITIES LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2022**

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 133,781
Commission receivable	2,816
Investments in publicly traded securities	<u>1,370</u>
	<u>\$ 137,967</u>

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Commission payable	\$ 79,501
Accounts payable and other liabilities	11,039
	<u>90,540</u>

Commitments and Contingencies (Notes 3 and 4)

<b>MEMBERS' EQUITY (Note 2)</b>	<u>47,427</u>
	<u>\$ 137,967</u>

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



**FLYING CLOUD SECURITIES LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**REVENUE:**

Commission income	\$ 377,748
<b>Total revenue</b>	<b><u>377,748</u></b>

**EXPENSES:**

Commission expense	327,270
Telephone, internet & communication	5,901
Regulatory fees	12,212
General and administrative	849
Insurance	439
Legal and professional fees	61,590
Rent and occupancy costs	3,000
Taxes and licenses	<u>13,800</u>
<b>Total expenses</b>	<b><u>425,061</u></b>

**OTHER INCOME:**

Unrealized depreciation on investments	<u>\$ (1,268)</u>
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**NET INCOME:**

**\$ (48,581)**

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

**FLYING CLOUD SECURITIES LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Balances, December 31, 2021</b>	<b>\$ 96,008</b>
Distribution to members	-
Net income	<u>(48,581)</u>
<b>Balances, December 31, 2022</b>	<b><u>\$ 47,427</u></b>

The accompanying notes are an integral part of these financial statements

**FLYING CLOUD SECURITIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2022**

***NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Flying Cloud Securities LLC (the “Company”), is a Delaware limited liability company, organized in 2013 to engage in private placements of securities. The Company is a broker-dealer registered with the Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulation Authority, Inc. (“FINRA”). The Company was formed on March 11, 2013 and was approved by the SEC and the FINRA as a broker-dealer on April 24, 2014, whereby the Company commenced operations.

**15c3-3 Exemption**

The Company is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission pursuant to footnote 74. The Company does not carry or clear customer accounts.

**Cash and Cash Equivalents**

The Company maintains its cash in bank deposit accounts which at times may exceed federally insured limits. The Company considers all highly-liquid investments purchased with an original maturity of three months or less on the purchase date to be cash equivalents. As of December 31, 2022, the Company is under the FDIC insured amount limit of \$250,000 by \$116,630.

**Revenue Recognition**

The Company derives its revenue from capital raising activities, in the form of private placements of securities. Commission revenue is recognized as income when it is earned, as defined in the respective engagement letters. This is typically at the closing of the sale of securities of the non-public companies. Revenue is recognized in accordance with FASB ASC Topic 606 as services are rendered and the contracts identified performance obligations have been satisfied. There were no unsatisfied performance obligations at December 31, 2022.

**Accounts Receivable**

Accounts receivable are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are null.

**Income Taxes**

The Company elects to be treated as a pass-through entity for all relevant jurisdictions and therefore files informational income tax returns which attribute taxable income and taxes paid, if any, to the members. Management has concluded that the Company is not subject to income taxes in any jurisdiction and that there are no uncertain tax positions that would require recognition in the financial statements. Accordingly, no

**FLYING CLOUD SECURITIES LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

**CASH FLOWS FROM (TO) OPERATING ACTIVITIES:**

Net income	\$ (48,581)
Adjustments to reconcile net income to net cash flows used in operating activities:	
Changes in operating assets and liabilities:	
Unrealized depreciation on investments	1,268
Decrease in commissions receivable	830,356
Decrease in commissions payable	(688,298)
Decrease in accounts payable	(20,177)
Net cash used in operating activities	<u>74,568</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 74,568

**CASH AND CASH EQUIVALENTS, at beginning of year** 59,213

**CASH AND CASH EQUIVALENTS, at end of year** \$ 133,781

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

## FLYING CLOUD SECURITIES

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022

#### **NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

##### **Income Taxes (concluded)**

provision for income taxes is reflected in the accompanying financial statements. However, the Company is still required to file a tax return. If the Company were to incur an income tax liability in the future, interest on any income tax liability would be reported as interest expense and penalties on any income tax liability would be reported as income taxes. Management's conclusions regarding uncertain tax positions may be subject to review and adjustment at a later date based upon ongoing analyses of tax laws, regulations and interpretations thereof as well as other factors. Taxable years since 2019 are subject to examination.

##### **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 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.

#### **NOTE 2 - NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At December 31, 2022, the Company had net capital and net capital requirements of \$47,152 and \$6,036, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 1.92 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1, during its fiscal year of operations.

#### **NOTE 3 - RELATED PARTY TRANSACTIONS**

The Company has an expense sharing agreement, effective April 24, 2013, with Cole-Frieman & Mallon LLP, in which the affiliate pays expenses on behalf of the Company. The Company pays the affiliate \$250 per month for office space, minor administrative services and technology services. This amount approximates the Company's portion of these expenses. The total amount paid to the affiliate for the period was \$3,000 and is included in Rent Expense in the Statement of Income. In addition, the lease agreement may be terminated with a 60 day notice.

The Company has a services agreement with Aspect Advisors LLC for the provision of Chief Compliance Officer and Financial Operations Principal services. The Company pays the affiliate \$4,300 per month for such services. The total amount paid to the affiliate for the period was \$51,600 and is included in Legal and Professional Fees in the Statement of Income. In addition, the services agreement may be terminated with a 30 day notice.

## **FLYING CLOUD SECURITIES**

### **NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2022**

#### ***NOTE 4 - COMMITMENTS AND CONTINGENCIES***

In the normal course of business, the Company could be threatened with or named as a defendant in lawsuits, arbitrations and administrative claims. Such matters that are reported to regulators such as the SEC or FINRA and investigated by such regulators, may, if pursued, result in formal arbitration claims being filed against the Company and/or disciplinary action being taken against the Company by regulators. Any such claims or disciplinary actions that are decided against the Company could harm the Company's business. The Company is also subject to periodic regulatory audits and inspections which could result in fines or other disciplinary actions. Unfavorable outcomes, in such matters, may result in a material impact to the Company's financial position, statement of income or cash flows. As of December 31, 2022, management is not aware of any commitments or contingencies that could have a material impact on the financial statements.

#### ***NOTE 5 - SUBSEQUENT EVENTS***

The Company has performed an evaluation of subsequent events through the date the financial statements were issued. The Company's management has decided, subsequent to year end, to cease broker-dealer operations and file Form BD-W.

## **Supplemental Information**

**FLYING CLOUD SECURITIES LLC**  
**COMPUTATION OF NET CAPITAL**  
**PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1**

**CREDIT:**

Members' equity	\$ 47,427
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**DEBITS:**

Non-allowable assets:

Accounts receivable	(69)
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Prepaid expenses	-
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<b>Total debits</b>	<u>(69)</u>
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<b>Net capital before haircuts on securities positions</b>	<b>47,358</b>
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Haircuts on securities positions	<u>(206)</u>
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<b>NET CAPITAL</b>	<b><u>47,152</u></b>
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Minimum requirements of 6 2/3% of aggregate indebtedness of  
\$90,540 or \$5,000, whichever is greater

	6,036
<b>EXCESS NET CAPITAL</b>	<b><u><u>\$ 41,116</u></u></b>

**AGGREGATE INDEBTEDNESS:**

Accrued expenses and other liabilities	\$ 90,540
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Unearned revenue	-
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	<u>\$ 90,540</u>
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<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>	<b><u><u>1.92 : 1</u></u></b>
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The above computation of net capital pursuant to SEC Rule 15c3-1 does not differ materially from the computation as of December 31, 2022 included in the Company's unaudited Form X-17A-5, Part IIA.

See the accompanying Report of Independent Registered Public Accounting Firm



February 2, 2023

**FLYING CLOUD SECURITIES LLC**

**Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the  
Securities and Exchange Commission  
December 31, 2022**

Flying Cloud Securities LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. 240.17-5, "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 does not claim an exemption from 17 C.F.R. 240, 15c3-3 under paragraph (k). The company is filing the exemption report in reliance on footnote 74 of the 2013 SEC Release 34-70073.
2. The company is engaged in private placement of securities and M&A advisory services.
3. As a Non-Covered Company that does not claim an exemption under paragraph (k) of Rule 15c3-3, during the reporting period the Company affirms that it (1) does not directly or indirectly receive, hold or otherwise owe funds or securities for or to customers; (2) does not carry accounts of or for customers; and (3) does not carry PAB accounts (as defined in Rule 15c3-3). These conditions were met throughout the most recent year without exception.

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



---

Bart Mallon, President



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Members of  
Flying Cloud Securities LLC

We have reviewed management's statements, included in the accompanying management statement regarding compliance Footnote 74 of SEC Release 34-70073 in which (1) Flying Cloud Securities LLC (the "Company") identified the provisions of Footnote 74 under which the Company is not required to claim an exemption from 17 C.F.R. 240.15c3-3 and (2) the Company stated that the Company met the identified provisions of Footnote 74 throughout the most recent fiscal year without exception. The Company's management is responsible for compliance with Footnote 74 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 the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in Footnote 74 of SEC Release 34-70073.

Denver, Colorado  
March 23, 2023