

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: March 31, 2016  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8- 69147

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 01/01/2013 AND ENDING 12/31/2013  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Falcon Square Capital, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
4000 Westchase Boulevard, Suite 310

OFFICIAL USE ONLY  
FIRM I.D. NO.

Raleigh North Carolina 27607  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Braxton C. Wall (919) 825-1534  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Rives & Associates, LLP

702 Oberlin Road, Suite 410 Raleigh North Carolina 27605  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.



*Kw*  
*3/20/14*

**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)

*3/25/14*

OATH OR AFFIRMATION

I, Braxton C. Wall, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Falcon Square Capital, LLC, as of December 31, 20 13, are true and correct. I further swear (or 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, except as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

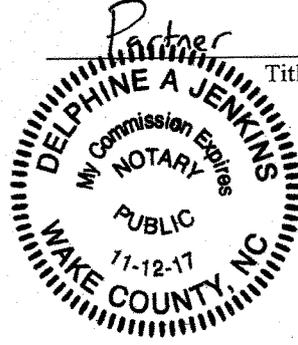
BC Wall

Signature

Partner

Title

[Signature]  
Notary Public



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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

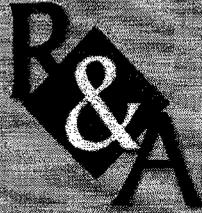
**FALCON SQUARE CAPITAL, LLC**

**Financial Statements and  
Supplementary Information**

**For the Year Ended December 31, 2013**

**Falcon Square Capital, LLC**  
**Table of Contents**

	<u>Page No.</u>
<b>INDEPENDENT AUDITORS' REPORT</b> .....	1
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Condition .....	3
Statement of Income .....	4
Statement of Changes in Members' Equity .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7
<b>SUPPLEMENTARY INFORMATION</b>	
Computation of Net Capital Pursuant to SEC Rule 15c3-1 .....	10
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3</b> .....	11



Member  
American Institute of  
Certified Public Accountants

**Rives & Associates, LLP**  
Certified Public Accountants

Member  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

## INDEPENDENT AUDITORS' REPORT

To the Members  
Falcon Square Capital, LLC  
Raleigh, North Carolina

### Report on the Financial Statements

We have audited the accompanying statements of financial condition of Falcon Square Capital, LLC (the Company) as of December 31, 2013, and the related statements of income, changes in members' equity, and cash flows for the year then ended, that are filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessment, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

702 Oberlin Road, Suite 410  
Raleigh, NC 27605  
Phone 919-832-6848  
Fax 919-832-7288

1  
212 West Center Street  
PO Box 1991  
Lexington, NC 27293  
Phone 336-248-8281  
Fax 336-248-2335

1023 W Morehead Street, Suite 100  
Charlotte, NC 28208-5324  
Phone 704-372-0960  
Fax 704-372-1458

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Falcon Square Capital, LLC. as of December 31, 2013, and the results of its operations and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained on page 9 is presented for the purpose of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information on page 9 has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information on page 9 is fairly stated in all material respects in relation to the financial statements as a whole.

*Rivco & Associates LLP*

Raleigh, North Carolina  
February 20, 2014

**FALCON SQUARE CAPITAL, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2013**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 237,524
Receivables from clearing organization	84,229
Prepaid expenses	14,416
Other assets - soft dollar	36,239
Total current assets	<u>372,408</u>
Fixed assets:	
Furniture and equipment	9,246
Less: accumulated depreciation	<u>1,594</u>
Net fixed assets	<u>7,652</u>
Other assets:	
Deposits with clearing organization	100,000
Security deposit	<u>5,375</u>
Total other assets	<u>105,375</u>
Total assets	<u>\$ 485,435</u>

**LIABILITIES AND MEMBERS' EQUITY**

Current liabilities:	
Commissions payable	\$ 52,856
Accounts payable	6,982
Other liabilities - soft dollar	36,239
Total liabilities	<u>96,077</u>
Members' equity	<u>389,358</u>
Total liabilities and members' equity	<u>\$ 485,435</u>

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

**FALCON SQUARE CAPITAL, LLC**  
**STATEMENT OF INCOME**  
**For the Year Ended December 31, 2013**

Revenues:	
Commissions	\$ 887,094
Total revenues	<u>887,094</u>
Expenses:	
Employee compensation	559,623
Clearing charges	62,063
Professional fees	8,198
Rent expense	23,652
Regulatory expenses	18,094
Research expenses	86,802
Travel expenses	8,108
Meals and entertainment	5,660
Bank charges	142
Computer and internet expenses	10,573
Depreciation	1,594
Dues and subscriptions	475
Insurance expense	851
Office supplies	10,063
Postage and delivery	427
Miscellaneous expense	29
Total expenses	<u>796,354</u>
Net income	<u>\$ 90,740</u>

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

**FALCON SQUARE CAPITAL, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
**For the Year Ended December 31, 2013**

Members' equity, January 1, 2013	\$ 1,778
Member contributions for 2013	296,840
Net income for 2013	<u>90,740</u>
Members' equity, December 31, 2013	<u>\$ 389,358</u>

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

**FALCON SQUARE CAPITAL, LLC**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2013**

<b>Cash flows from operating activities:</b>	
Net income	\$ 90,740
Adjustments to reconcile net income to net cash provided (used) by operating activities:	
Depreciation	1,594
Cash flows from changes in:	
Receivables from clearing organization	(84,229)
Prepaid expenses	(14,416)
Other assets - soft dollar	(36,239)
Security deposit	(5,375)
Commissions payable	52,856
Accounts payable	6,982
Other liabilities - soft dollar	<u>36,239</u>
<b>Net cash provided by operating activities</b>	<u>48,152</u>
<b>Cash flows from investing activities:</b>	
Purchases of furniture and equipment	(4,806)
Deposit to clearing organization	<u>(100,000)</u>
<b>Net cash used by investing activities</b>	<u>(104,806)</u>
<b>Cash flows from financing activities:</b>	
Member contributions	<u>292,400</u>
<b>Net cash provided by financing activities</b>	<u>292,400</u>
<b>Net increase in cash and cash equivalents</b>	235,746
<b>Cash and cash equivalents, beginning of year</b>	<u>1,778</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 237,524</u></u>
<b>Non cash transactions:</b>	
Member contributions of furniture and equipment	<u><u>\$ 4,440</u></u>

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

**FALCON SQUARE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Business

Falcon Square Capital, 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) and the Municipal Securities Rulemaking Board (MSRB). It is exempt from the provisions of SEC Rule 15c3-3 under Section (k)(2)(ii) of that same rule. The Company was organized as a limited liability company in North Carolina on April 2, 2012 and granted membership to FINRA and MSRB in March 2013. The Company is located in Raleigh, North Carolina.

Basis of Presentation

The financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized in the period in which they are earned. Expenses are recognized in the period in which they are incurred.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities at the date of purchase or the date of the financial statement of less than ninety days, which are not held for sale in the ordinary course of business.

Commissions

Commissions and related clearing expenses are received and recorded on a monthly basis.

Use of Estimates

The preparation of the Company's 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 the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Income Taxes

The Company has adopted the provisions of FASB ASC 740-10-25 *Accounting for Uncertainty in Income Taxes*. Under this provision, the Company must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Company's financial statements. The Company does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Company's federal and state income tax returns for 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed; however there are currently no audits for any tax years in progress. The Company has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of December 31, 2013. As a limited liability corporation, the tax consequences of the Company's operations all pass through to the members. Accordingly, the Company's financial statements do not include a provision for income taxes.

Receivables

The Company uses the allowance method to determine uncollectible accounts based on an analysis of expected collection rates determined from past history. Management believes that all accounts receivable are collectible as of December 31, 2013. Therefore, no allowance for doubtful accounts has been recorded.

**FALCON SQUARE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fixed Assets and Depreciation

Fixed assets are stated at cost. Depreciation is computed for financial statement purposes using the straight-line method, over the estimated useful lives of the related assets as follows:

Furniture	5 years
Equipment	5 years

Soft Dollar Arrangements

The Company ensures that any soft dollar arrangement with customers fall within the safe harbor provisions of the Rule 28(e) of the Securities Exchange Act of 1934 (Rule 28(e)) as amended, which provide for the payment of research, brokerage, quote services and other expenses permissible by Rule 28(e).

Advertising

The Company expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. There were no advertising expenses for the year ended December 31, 2013.

**NOTE 2 – CONCENTRATION OF CREDIT RISK**

The Company maintains cash balances at a national bank. The cash balances at this institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. The Company's cash balances were fully insured as of December 31, 2013.

**NOTE 3 – LEASES**

The Company leases office space under a lease agreement expiring March 31, 2016. The Company had rental expense in the amount of \$23,652 for the year ended December 31, 2013. Future minimum rental payments due under the non-cancelable lease are as follows (does not include possible tenant's share of increases in building expenses):

2014	\$	33,144
2015		34,132
2016		<u>8,724</u>
	\$	<u>76,000</u>

**FALCON SQUARE CAPITAL, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2013**

**NOTE 4 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital, and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. At December 31, 2013 the Company had excess net capital of \$225,551. The Company's required minimum net capital is \$100,000. At December 31, 2013, the Company's ratio of aggregate indebtedness to net capital was .2951 to 1.

**NOTE 5 - SUBSEQUENT EVENTS**

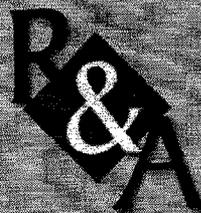
Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through February 20, 2014 which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

---

**FALCON SQUARE CAPITAL, LLC**  
**COMPUTATION OF NET CAPITAL PURSUANT TO SEC RULE 15c3-1**  
**Year Ended December 31, 2013**

<u>Computation of net capital:</u>		
Total ownership equity from statement of financial condition	\$	<u>389,358</u>
Deductions and/or changes:		
Non-allowable assets:		
Receivables from non-customers		36,239
Furniture and equipment		7,652
Security deposit		5,375
Prepaid expenses		<u>14,416</u>
Net capital before haircuts on securities positions		<u>63,682</u>
Haircuts on securities:		
Other securities		<u>125</u>
Net capital		325,551
<u>Computation of basic net capital requirement:</u>		
Minimum net capital required:		
Calculation (6-2/3% of aggregate indebtedness)	\$	6,405
Company requirement	\$	100,000
Net capital requirement (greater of the above)		<u>100,000</u>
Excess net capital	\$	<u>225,551</u>
Net capital less greater of 10% of total aggregate indebtedness or 120% of minimum net capital requirement	\$	<u>205,551</u>
<u>Computation of aggregate indebtedness:</u>		
Total liabilities from statement of financial condition	\$	<u>96,077</u>
Percentage of aggregate indebtedness to net capital		<u>29.51%</u>



Member  
American Institute of  
Certified Public Accountants

Rives & Associates, LLP  
Certified Public Accountants

Member  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5(g)(1) FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

To the Members  
Falcon Square Capital, LLC  
Raleigh, North Carolina

In planning and performing our audit of the financial statements of Falcon Square Capital, LLC., (the Company), as of and for the year ended December 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

702 Oberlin Road, Suite 410  
Raleigh, NC 27605  
Phone 919-832-6848  
Fax 919-832-7288

11  
212 West Center Street  
P.O. Box 1991  
Lexington, NC 27293  
Phone 336-248-8281  
Fax 336-248-2335

1023 W. Morehead Street, Suite 100  
Charlotte, NC 28208-5324  
Phone 704-372-0960  
Fax 704-372-1458

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2013, to meet the SEC's objectives.

This report is intended solely for the information and use of the Members, management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Rivco & Associates LLP*

Raleigh, North Carolina  
February 20, 2014



Member  
American Institute of  
Certified Public Accountants

**Rives & Associates, LLP**  
Certified Public Accountants

Member  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION

To the Members  
Falcon Square Capital, LLC  
Raleigh, North Carolina

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2013, which were agreed to by Falcon Square Capital, LLC (the Company) and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the Transitional Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. 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 in the general ledger noting no differences;
2. Compared the total revenue amounts of the audited Form X-17A-5 for the year ended December 31, 2013, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2013, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers, amounts were re-footed and compared to the general ledger, supporting the adjustments, noting no differences.
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 not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*Rives & Associates LLP*

Raleigh, North Carolina  
February 20, 2014

702 Oberlin Road, Suite 410  
Raleigh, NC 27605  
Phone 919-832-6848  
Fax 919-832-7288

212 West Center Street  
P.O. Box 1991  
Lexington, NC 27293  
Phone 336-248-8281  
Fax 336-248-2335

1023 W. Morehead Street, Suite 100  
Charlotte, NC 28208-5324  
Phone 704-372-0960  
Fax 704-372-1458



Member  
American Institute of  
Certified Public Accountants

**Rives & Associates, LLP**  
Certified Public Accountants

Member  
North Carolina Association of  
Certified Public Accountants

[www.rivescpa.com](http://www.rivescpa.com)

To the Members  
Falcon Square Capital, LLC  
Raleigh, North Carolina

We have audited the financial statements of Falcon Square Capital, LLC. (the Company) for the year ended December 31, 2013, and have issued our report thereon dated February 20, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated January 9, 2014.

Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant estimates for 2013.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during the audit.

##### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

702 Oberlin Road, Suite 410  
Raleigh, NC 27605  
Phone 919-832-6848  
Fax 919-832-7288

212 West Center Street  
PO Box 1991  
Lexington, NC 27293  
Phone 336-248-8281  
Fax 336-248-2335

1023 W. Morehead Street, Suite 100  
Charlotte, NC 28208-5324  
Phone 704-372-0960  
Fax 704-372-1458

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 20, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,

*Rineo & Associates LLP*

Raleigh, North Carolina