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

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

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 01/01/13 AND ENDING 12/31/13
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kapital Generation, LLC

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

241 Centre Street, 6th Floor, Suite 7

New York

(City)

(No. and Street)
New York

(State)

10013

(Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

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

Christopher Reyes

916-801-1329

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

WeiserMazars LLP

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

60 Crossways Park Drive West, Suite 301

(Address)

Woodbury

(City)

NY

(State)

11797

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I Christopher Reyes, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kapitall Generation LLC, as of December 31, 2013, 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:

Christopher Reyes
Signature
CFO
Title

Mary G. Lopez
Notary Public
My Commission Expires Apr. 30, 2015

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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.
- (o) Independent Auditors' Report on Internal Accounting Control.

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

Kapital Generation, LLC
(A Wholly-Owned Subsidiary of Kapital, Inc.)
Statement of Financial Condition
December 31, 2013

Assets	
Cash	\$ 7,595
Clearing deposit	100,280
Prepaid expenses	23,607
Due from broker	<u>933</u>
Total assets	<u>\$ 132,415</u>
Liabilities and member's equity	
Accounts payable	\$ 18,366
Accrued expenses	19,215
Due to parent	<u>18,244</u>
Total liabilities	55,825
Member's equity	<u>76,590</u>
Total liabilities and member's equity	<u>\$ 132,415</u>

The accompanying notes are an integral part of this financial statement.

Kapitall Generation, LLC
(A Wholly-Owned Subsidiary of Kapitall, Inc.)
Notes to Financial Statement
December 31, 2013

1. Organization, Nature and Status of Business

Kapitall Generation, LLC (a Wholly Owned Subsidiary of Kapitall, Inc.) (the “Company”) was organized on December 4, 2009, under the laws of the State of Delaware. The Company was incorporated under the original name Stereo Scope Securities, LLC, however, effective February 17, 2012, Stereo Scope Securities, LLC changed its name to Kapitall Generation, LLC. The Company is a registered broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934. On August 19, 2011, the Company became a member of the Financial Industry Regulatory Authority. The liability of the member for the losses, debts, and obligations of the Company is generally limited to its capital contributions.

The Company engages in on-line retail brokerage operations as an introducing broker to its clearing firm, Pershing, LLC. The Company was in the development stage through December 31, 2012 and in 2013 was considered an operating company.

The Company’s parent Kapitall, Inc. sold all of its assets and wholly-owned subsidiary, Kapitall Generation LLC, in an asset sale on January 31, 2014. The new parent company, New Kapitall Holdings, LLC will wholly own Kapitall Generation LLC and provide the necessary capital to continue to meet its operating expenses.

2. Summary of Significant Accounting Policies

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.

Revenue Recognition

Securities transactions and the related revenues and expenses are recorded on a trade date basis.

Income Taxes

As a limited liability company, the Company is not liable for federal or state income taxes. Each member is responsible to report separately his distributive share of Company income or loss to tax authorities. The Company is, however, subject to the New York City unincorporated business tax.

The Company has adopted the authoritative guidance issued, as it pertains to accounting for uncertainty in income taxes. This standard prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken by the Company. As of December 31, 2013, the Company determined that it had no uncertain tax positions which affected its financial position and its results of operations or its cash flows and will continue to evaluate for uncertain tax positions in the future. The Company is subject to examination by federal, state, or local taxing authorities since inception.

Kapitall Generation, LLC
(A Wholly-Owned Subsidiary of Kapitall, Inc.)
Notes to Financial Statement
December 31, 2013

3. Administrative Service Agreement

The Company entered into an administrative service agreement with its parent company, Kapitall, Inc. whereby the parent agrees to furnish to the Company, administrative and other services and to pay certain expenses of the Company. Such expenses will be treated either as additional capital contributions by Kapitall, Inc. to the Company or the Company will accrue such expenses as a liability on its books. At December 31, 2013, the Company's obligation to Kapitall, Inc. in the amount of \$259,652 was transferred into equity and was treated as an additional capital contribution. At December 31, 2013, the balance due to Kapitall, Inc. was \$18,244.

4. Net Capital Requirements

The Company is subject to the uniform net capital requirements of Rule 15c3-1 of the Securities and Exchange Commission, which requires a broker-dealer to have at all times sufficient liquid assets to cover current indebtedness. In accordance with the Rule, the Company is required to maintain defined minimum net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness, as defined.

At December 31, 2013, the Company had net capital, as defined, of \$52,050 which was \$47,050 in excess of its required net capital of \$5,000. Aggregate indebtedness at December 31, 2013 was \$55,825. The ratio of aggregate indebtedness to net capital was 1.07 to 1.

5. Stock Based Compensation

In August 2011, the Board of the parent company, Kapitall, Inc. granted options to purchase common shares of Kapitall, Inc. to certain officers and other employees of the Company. Each option has an exercise price of \$2.64, which approximated the fair value of the common shares at the date of the grant. All of the options granted have an expiration date ten years from the vesting commencement date and vest over a five-year period, with 25% vesting on the one-year anniversary of the grant and the remaining amount vesting ratably 1/48th at the end of each successive month.

Compensation expense for options issued is allocated to the Company by the parent company and is recognized in the Company's statement of operations based on fair value at the date of grant.

6. Subsequent Events

The Company has evaluated subsequent events through March 11, 2014, the date the financial statements were available for issuance.

On February 28, 2014, New Kapitall Holdings, LLC provided \$50,000 in capital to Kapitall Generation LLC to fund current operating expenses.

The Company's Statement of Financial Condition as of December 31, 2013 is available for examination at the office of the Company and at the Regional Office of the Securities and Exchange Commission.

Independent Auditors' Report

To the Member
of Kapitall Generation, LLC
(a Wholly-Owned Subsidiary of Kapitall, Inc.)

Report on the Financial Statements

We have audited the accompanying financial statement of Kapitall Generation, LLC (a wholly-owned subsidiary of Kapitall, Inc.) (the "Company"), which comprise the statement of financial condition as of December 31, 2013, that is filed pursuant to Rule 17a-5 under the Securities Exchange Act of 1934, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement 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 this financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement 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 audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Kapitall Generation, LLC (a wholly-owned subsidiary of Kapitall, Inc.) as of December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.



March 11, 2014
Woodbury, New York