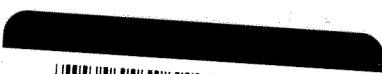


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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hours per response... 12.00

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

SEC FILE NUMBER  
8-68199

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: BOM Capital, LLC  
Banc of Manhattan Capital, LLC/dba  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
5700 Canoga Ave., Suite 120

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)

Woodland Hills California 91367  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ian Smith 818 591-1852  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

McGladrey LLP

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

600 University St #1100 Seattle WA 98101  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

SEC  
Mail Processing  
Section

MAR 04 2014

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Washington, DC  
124

\*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)

JD  
3/25

OATH OR AFFIRMATION

I, Ian Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Banc of Manhattan Capital, 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:

N/A

Ian Smith

Signature

Chief Operating Officer

Title

SEE BELOW

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. (Bound under separate cover)
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
(o) Independent auditor's report on internal control

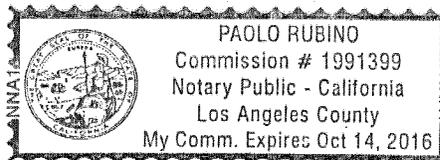
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

Subscribed and sworn to (or affirmed) before me on this 25th of February, 2014, by JAN SMITH, proved to me on the basis of satisfactory evidence to be the person who appeared before me.

Paolo Rubino

Notary Public



**BANC OF MANHATTAN CAPITAL, LLC**

**DECEMBER 31, 2013**

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## **Independent Auditor's Report on the Financial Statements**

Board of Directors and Member of  
Banc of Manhattan Capital, LLC  
Woodland Hills, CA

### **Report on the Financial Statements**

We have audited the accompanying statement of financial condition of Banc of Manhattan Capital, LLC (the Company) as of December 31, 2013, and the related statements of operations, changes in member's equity and cash flows for the year then ended, which 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 (U.S. GAAP); this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's 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 (U.S. GAAS). Those standards require that we plan and perform the audit 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, 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 policies used and the reasonableness of significant accounting 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Banc of Manhattan Capital, LLC as of December 31, 2013, and the results of its operations and its cash flows for the year then ended, in accordance with U.S. GAAP.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules I and II is presented for purposes 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 in Schedules I and II 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 U.S. GAAS. In our opinion, the information in Schedules I and II is fairly stated in all material respects in relation to the financial statements as a whole.

**Emphasis of Matter Regarding Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the financial statements, the Company has suffered recurring losses from operations and received notice of net capital deficiency pursuant to Rule 17a-11 of the Securities Exchange Act with the Securities and Exchange Commission and FINRA on January 24, 2014, which raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 14. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*McGladrey LLP*

Seattle, WA  
February 28, 2014

**BANC OF MANHATTAN CAPITAL, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2013**

**Assets**

Cash	\$ 163,790
Cash deposits with clearing broker-dealer	600,000
Receivable from clearing broker-dealer	166,491
Due from affiliates	224,249
Furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization of \$399,418	109,357
Other assets	75,905
Total Assets	<u>\$ 1,339,792</u>

**Liabilities and Member's Equity**

**Liabilities**

Employee compensation and benefits payable	\$ 273,762
Accounts payable, accrued expenses and other liabilities	119,178
Total Liabilities	<u>392,940</u>

Commitments, Contingencies and Guarantees (Notes 9 and 10)

**Member's Equity**

Total Liabilities and Member's Equity	<u>946,852</u>
	<u>\$ 1,339,792</u>

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

**BANC OF MANHATTAN CAPITAL, LLC**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**Revenues**

Gains and losses on riskless principal transactions	\$ 6,012,016
Interest income	670
Other income	75,000
Total Revenues	<u>6,087,686</u>

**Expenses**

Employee compensation and benefits	2,914,324
Commissions expense	1,619,275
Communications and data processing	1,010,397
Occupancy	435,547
Clearance fees	557,278
Travel and entertainment	153,892
Legal and other professional services	139,768
Regulatory charges	129,372
Other expenses	64,480
Total Expenses	<u>7,024,333</u>

Loss before income taxes	(936,647)
State income tax expense	(13,102)
Net Loss	<u>\$ (949,749)</u>

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

**BANC OF MANHATTAN CAPITAL, LLC**  
**STATEMENT OF CHANGES IN MEMBER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Total</u>
<b>Balance,</b> <b>December 31, 2012</b>	\$ 1,511,601
Contributions	385,000
Net loss	(949,749)
<b>Balance,</b> <b>December 31, 2013</b>	<u><u>\$ 946,852</u></u>

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

**BANC OF MANHATTAN CAPITAL, LLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Cash Flows from Operating Activities</b>	
Net loss	\$ (949,749)
Adjustments to reconcile net loss to net cash flows used in operating activities:	
Depreciation and amortization	90,980
(Increase) / Decrease in Operating Assets:	
Receivable from clearing broker-dealer	(102,891)
Due from affiliates	(102,894)
Other assets	81,178
Increase / (Decrease) in Operating Liabilities:	
Employee compensation and benefits payable	39,459
Accounts payable, accrued expenses and other liabilities	7,124
Due to affiliates	(1,256)
Net Cash Flows used in Operating Activities	<u>(938,049)</u>
<b>Cash Flows from Investing Activities</b>	
Purchase of furniture, equipment and leasehold improvements	<u>(22,491)</u>
Net Cash Flows used in Investing Activities	<u>(22,491)</u>
<b>Cash Flows from Financing Activities</b>	
Proceeds from capital contributions from sole member	<u>385,000</u>
Net Cash Flows provided by Financing Activities	<u>385,000</u>
<b>Net Decrease in Cash</b>	(575,540)
<b>Cash at the Beginning of the Year</b>	<u>739,330</u>
<b>Cash at the End of the Year</b>	<u><u>\$ 163,790</u></u>
<b>Supplemental Cash Flow Information:</b>	
Income Tax Payments	<u><u>\$ 13,102</u></u>

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

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 1—ORGANIZATION AND NATURE OF BUSINESS**

BOM Capital, LLC dba Banc of Manhattan Capital, LLC (the “Company”) is a broker-dealer registered with the Securities and Exchange Commission (the “SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). The Company was formed in Delaware on October 1, 2009 as a single member limited liability company (“LLC”) and will continue into perpetuity. The company is a wholly owned subsidiary of Manhattan Capital Markets, LLC (“Parent”).

The Parent is a multi-member LLC whose members include employees of the Parent group (“MCM”) and Bodi Advisors, Inc. (“Bodi”), which own 70% and 30% of the Parent, respectively.

The Company’s business comprises primarily riskless principal securities transactions.

The Company is exempt from the provisions of SEC Rule 15c3-3 of the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker-dealer, the Company clears customer transactions on a fully disclosed basis with its clearing broker-dealer and does not receive or hold customer funds or securities.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Accounting Standards Codification*

The Company follows generally accepted accounting principles in the United States of America (“GAAP”) established by the Financial Accounting Standards Board (“FASB”) to ensure consistent reporting in the financial statements. References to GAAP in these footnotes are to FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, sometimes referred to as the Codification or ASC.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP 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.

*Income Taxes*

The Company is organized as a single member LLC and is treated as a disregarded entity for federal and state tax purposes. It does not file any tax returns, but its taxable income is reported as part of its Parent’s tax returns. Accordingly, no provision or benefit for federal income taxes has been made in the Company’s financial statements. The Company is liable only for minimum state taxes and an LLC fee based on gross receipts generated as defined by the state of California.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

FASB ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax provisions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are more likely than not to be sustained when challenged or when examined by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. For the year ended December 31, 2013, management has determined that there are no uncertain tax positions. The Company is still subject to income tax examinations by the U.S. federal, state or local tax authorities for the years beginning in 2009.

*Depreciation*

Depreciation on furniture and equipment is provided on a straight-line basis using estimated useful lives of three to 10 years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

*Gains and Losses on Riskless Principal Transactions*

The Company trades for its own account on a riskless principal transactions basis to effectuate customers' buy and sell orders. Gains and losses on riskless principal securities transactions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

*Recently Issued Accounting Pronouncement*

In December 2011, the FASB issued new guidance that requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual and interim periods beginning on or after January 1, 2013. An entity should provide the disclosures required by those amendments retrospectively for all comparative periods presented. The adoption of this guidance did not have a material impact on our financial position or results of operations.

*Subsequent Events*

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 3—FAIR VALUE**

*Fair Value Measurement*

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

Level 1—inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access at the measurement date.

Level 2—inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3—inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

See Note 8 for additional disclosure of assets and liabilities reported at fair value.

**NOTE 4—CASH DEPOSITS WITH CLEARING BROKER-DEALER**

The Company has an agreement with Broadcort (“Broadcort”), a division of Merrill Lynch, Fenner & Smith Incorporated, a clearing broker-dealer, wherein Broadcort agrees to act as the clearing broker for the Company.

The Company has deposited cash of \$500,000 with Broadcort to meet the required clearing deposit. In addition, the Company has deposited cash in the amount of \$100,000 to meet the minimum requirement for collateral on forward settling to-be-announced (“TBA”) trades at December 31, 2013, settling through the Mortgage-Backed Securities Division (“MBSD”), a division of the Fixed Income Clearing Corporation, which is a subsidiary of the Depository Trust Company. These amounts deposited by the Company represent the minimum amounts required to be on deposit.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 5—RECEIVABLE FROM CLEARING BROKER-DEALER**

Amounts receivable from clearing broker-dealer at December 31, 2013 consist of gains and losses on riskless principal transactions, both realized and unrealized, net of clearance and other administrative fees. These amounts are accounted for by the Company on a trade-date basis. The Company has the option of withdrawing these amounts once the contractual settlement dates of the underlying transactions have been reached.

**NOTE 6—RELATED-PARTY TRANSACTIONS**

The Parent is a multi-member LLC whose members include employees of MCM and Bodi, which own 70% and 30% of the Parent, respectively. Previous to June 28, 2013, Carpenter Community Bancfund, L.P. (“Carpenter”), through its wholly owned subsidiary, MBFS Holdings (“MBFS”), owned 70% of the Parent company. On June 28, 2013, Carpenter and the Executive Management of MCM entered into a Securities Redemption Agreement, whereby MCM purchased 95% of the shares of capital stock of MBFS. The remaining 5% of shares held by MBFS were subsequently redeemed on December 31, 2013. This transaction did not have a direct financial impact on the Company; however, certain transactions, such as cash balances that were previously held with affiliates, no longer constitute related-party transactions. Only transactions within the MCM group are considered to be of a related-party nature.

In the normal course of business, the Company effectuates trades for MIMS-1, L.P. (“MIMS-1”) and MIMS GSE 2013 1-A, L.P. (“MIMS-1A”) (the “Funds”), related parties that are under common control of the Parent. The Company earns commissions from the Funds on a trade-by-trade basis and are entitled to reimbursement for administrative charges from the Funds.

The following table sets forth the Company’s related-party transactions reflected on the statement of financial condition as of December 31, 2013:

Due from affiliates - MCM	\$ 187,739
Due from affiliates - MIMS-1	15,072
Due from affiliates - MIMS-1A	21,438
Total Related-Party Assets	<u>\$ 224,249</u>

As of December 31, 2013, the Company has earned \$3,452,983 of commissions related to transactions effectuated on behalf of the Funds, which are included in gains and losses on riskless principal transactions income in the statement of operations.

*Due from Affiliates Under Expense Sharing Agreements*

The Company provides personnel, premises, technology and administrative services to several affiliates. Under an expense sharing agreement, the Company allocates costs of these services to the affiliates at the agreed-upon percentages on a monthly basis. The Company charged \$2,438,835 to its affiliates under these expense sharing agreements during the year ended December 31, 2013.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 6—RELATED-PARTY TRANSACTIONS, Continued**

*Due to Affiliates for Office Rent*

The Company pays to the Parent monthly rent for office space utilized in two locations. The Company was charged \$280,491 by the Parent for rent under an expense sharing agreement during the year ended December 31, 2013.

**NOTE 7—MEMBER'S EQUITY**

Manhattan Capital Markets, LLC is the sole member of the Company and holds 100% of the Member's Equity, which consists of 3,835,000 issued units of \$1 per Unit, which was increased from 3,450,000 on November 25, 2013.

*Distribution of Assets on Dissolution*

In settling accounts after dissolution, the assets of the Company will be distributed in the following order:

- (a) First to creditors, including its Member, in the order of priority as provided by law, except those to the Member of the Company on account of its Capital Contributions;
- (b) Second, amounts necessary to establish such cash reserves that the Board deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company; and
- (c) Third, to the Member in proportion to its relative ownership percentage.

**NOTE 8—EMPLOYEE BENEFIT PLANS**

The Company has a 401(k) Profit Sharing Plan for all employees and permits voluntary contributions of their compensation on a pre-tax basis. In February 2013, the Company transitioned from a plan maintained by Manhattan Bancorp to its own plan administered by TransAmerica. Under the current plan, the Company matches 50% of the employee's contribution up to 6%. The Company's expense relating to the contributions made to the 401(k) was \$38,714 for the year ended December 31, 2013.

**NOTE 9—FINANCIAL INSTRUMENTS**

*Financial Instruments with Off-Balance-Sheet Risk*

As an introducing broker-dealer, the Company is engaged in buying and selling securities for a diverse group of customers, primarily financial institutions, on a riskless principal basis. The Company introduces these customer transactions for clearance to its clearing broker on a fully disclosed basis.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 9—FINANCIAL INSTRUMENTS, Continued**

The Company's exposure to credit risk associated with nonperformance of customers in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair the Company's ability to liquidate the customer's collateral at an amount equal to the original contracted amount. The clearing agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to such nonperformance by the Company's customers. The Company monitors its customer activity by reviewing information it receives from its clearing broker on a daily basis, and seeks to control the aforementioned risks by establishing and monitoring limits on its customers' transaction volumes based on a review of creditworthiness.

In accordance with industry standards, the Company's clearing broker-dealer records customer transactions on a settlement date basis, which is generally three business days after the trade date. Other instruments traded by the Company, such as mortgage-backed TBAs, which provide for the delayed delivery of the underlying instrument, involve off-balance-sheet risk. The clearing broker-dealer is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case the clearing broker-dealer may have to purchase or sell the underlying financial instrument at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by the clearing broker-dealer is charged back to the Company.

In the normal course of business, the Company effectuates customers' buy and sell orders in mortgage-backed (TBA) securities, which are derivatives and involve off-balance-sheet financial risk. TBAs provide for the delayed delivery of the underlying instrument. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The credit risk for TBAs is limited to the unrealized fair valuation gains recorded in the statement of financial condition. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces such as volatility and changes in interest rates.

**Quantitative Disclosures for Derivative Financial Instruments Used for Trading Purposes**

As of December 31, 2013, the notional amounts and fair values of derivative financial instruments are as follows:

	<b>Notional Amount</b>		
Mortgage-Backed Securities:			
Forward contracts (TBAs) purchased	\$	3,499,162,670	
Forward contracts (TBAs) sold		<u>(3,499,162,670)</u>	
Net	\$	<u><u>-</u></u>	
		<b>Fair Value</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Mortgage-Backed Securities:			
Forward contracts (TBAs)	\$	\$ 8,485,710	\$ (8,379,003) \$ 106,708

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 9—FINANCIAL INSTRUMENTS, Continued**

All of the Company's transactions in TBAs with off-balance-sheet risk outstanding at December 31, 2013 are short-term in nature with maturities of three months or less. The fair value of these derivative financial instruments is included in receivable from clearing broker-dealer in the net amount of \$106,708, and the unrealized gains are netted against unrealized losses on the statement of operations. The Company has deposited cash in the amount of \$100,000 with Broadcort to meet the minimum requirement for collateral on TBAs.

The forward contracts (TBAs) are valued as Level 1 assets and liabilities on the fair value hierarchy, as the Company utilizes observable prices for identical securities that are obtained directly from Bloomberg to determine fair value.

*Offsetting of Financial Assets*

The clearing agreement that the Company has with Broadcort provides for the netting of assets and liabilities. The net receivable due from Broadcort is composed as follows:

Total Gross Receivables	\$ 209,512
Total Gross Liabilities	(43,021)
	<u>\$ 166,491</u>

*Concentrations of Credit Risk*

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**NOTE 10—COMMITMENTS AND CONTINGENCIES**

*Litigation*

In the normal course of business, the Company could be named as a defendant in lawsuits, arbitrations and administrative claims incidental to its securities business. Management of the Company believes, after consultation with outside legal counsel, there are no pending legal proceedings to which the Company is a party and which may have a materially adverse effect on the Company's financial position or results of operations.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 11—GUARANTEES AND INDEMNIFICATIONS**

FASB ASC 460, *Guarantees*, requires the Company to disclose information about its obligations under certain guarantee arrangements. FASB ASC 460 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or nonoccurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. This guidance also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement, as well as indirect guarantees of the indebtedness of others.

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as its clearing broker-dealer, 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.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. 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.

**NOTE 12—NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC 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, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2013, the Company had net capital of \$504,759, which was \$404,759 in excess of its required minimum net capital of \$100,000. The Company's net capital ratio was 0.78 to 1.

**BANC OF MANHATTAN CAPITAL, LLC**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013**

**NOTE 13—SUBSEQUENT EVENTS**

On January 13, 2014, capital contributions totaling \$120,000 were received from the Parent.

On January 24, 2014, the Company experienced a regulatory capital deficiency due to market conditions affecting the price of TBA transactions in mortgage-backed securities. The Company determined just after the close of business on January 24, 2014 that it would no longer be able to satisfy its minimum net capital requirement under Rule 15c3-1 and Rule 4210 and would have a deficiency of approximately \$470,000. Accordingly, the Company filed a notice of net capital deficiency pursuant to Rule 17a-11 of the Securities Exchange Act with the Securities and Exchange Commission and FINRA and, beginning January 27, 2014, suspended all securities trading until such time that the regulatory net capital position is restored. As of the date of this report, trading has not been resumed. It is management's expectation that the suspension of trading is temporary and trading will most likely be resumed in March upon settlement of the forward-settling TBA transactions, the last of which is scheduled to occur on March 20, 2014.

**NOTE 14—GOING CONCERN**

The financial statements have been prepared on the assumption that the Company will continue as a going concern. However, the Company has experienced significant net losses for several years as well as negative cash flows, and given the inability of the Company to enter into many TBA trades, revenues may be further curtailed. Management has recently taken a number of steps to limit further losses, including dramatic cost reductions, and is actively seeking additional sources of capital; however, these efforts may not be successful. As of the date of this report, management believes that the Company will be able to continue operations; however, significant strategic changes, including a sale of assets or the Company, may be required.

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

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**SCHEDULE I**  
**BANC OF MANHATTAN CAPITAL, LLC**

**Computation of Net Capital Pursuant to SEC Rule 15c3-1**  
**As of December 31, 2013**

There are no material differences between the preceding computation and the Company's corresponding unaudited Part IIA of Form X-17A-5 as of December 31, 2013.

Net Capital	
Total member's equity	\$ 946,852
Deduct member's equity not allowable for net capital	-
Total Member's Equity Qualified for Net Capital	<u>946,852</u>
Deductions/Charges:	
Non-allowable assets:	
Due from affiliates	187,739
Furniture, equipment and leasehold improvements, net	109,356
Other assets	<u>112,415</u>
Total Non-Allowable Assets	<u>409,510</u>
Total Deductions/Charges	<u>409,510</u>
Net Capital Before Haircuts on Securities Positions (Tentative Net Capital)	537,342
Haircuts on Securities Net Capital	<u>(32,584)</u> <u>\$ 504,758</u>
Aggregate Indebtedness	
Items included in the statement of financial condition:	
Employee compensation and benefits payable	\$ 273,761
Accounts payable, accrued expenses and other liabilities	119,178
Total Aggregate Indebtedness	<u>\$ 392,939</u>
Computation of Basic Net Capital Requirement	
Minimum net capital required	<u>\$ 100,000</u>
Excess Net Capital at 1500%	<u>\$ 404,758</u>
Excess Net Capital at 1000%	<u>\$ 384,758</u>
Ratio: Aggregate Indebtedness to Net Capital	<u>0.78 to 1</u>
Net capital, as reported in the Company's Part II unaudited FOCUS report	\$ 476,210
Audit adjustment, to record additional revenues	28,548
Net Capital as per Computation herein	<u>\$ 504,758</u>

**SCHEDULE II**  
**BANC OF MANHATTAN CAPITAL, LLC**

**Computation for Determination of Reserve Requirements and Information  
Relating to Possession and Control Requirements Under SEC Rule 15c3-3**

None; the Company is exempt from SEC Rule 15c3-3 pursuant to the provisions of Subparagraph (k)(2)(ii) thereof.

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**Report of Independent Registered  
Public Accounting Firm on Internal  
Control Required by SEC Rule 17a-5(g)(1)  
For a Broker-Dealer Claiming an  
Exemption from SEC Rule 15c3-3**

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## **Independent Auditor's Report on Internal Control**

Board of Directors and Member of  
Banc of Manhattan Capital, LLC  
Woodland Hills, CA

In planning and performing our audit of the financial statements of Banc of Manhattan 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 compliance with 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 the 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 above-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.

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 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 above.

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 Board of Directors, the Company's Member, management, the SEC, the Financial Industry Regulatory Authority, 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.

*McGladrey LLP*

Seattle, WA  
February 28, 2014