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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 01/01/14 AND ENDING 12/31/14  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: M3 Capital Partners LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

150 South Wacker Drive, Suite 3100

(No. and Street)

Chicago

IL

60606

(City)

(State)

(Zip Code)

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

Donald E. Suter

312-499-8500

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers LLP

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

One North Wacker Drive

Chicago

IL

60606

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- 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)

2/26/15

2/27/15

OATH OR AFFIRMATION

I, Donald E. Suter, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of M3 Capital Partners LLC, as of December 31, 2014, 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:

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



*Kimberli K Lippiatt*  
Notary Public

*[Handwritten Signature]*  
Signature

Principal  
Title

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).



# **M3 Capital Partners LLC and Subsidiaries**

**Consolidated Financial Statements  
December 31, 2014**

# M3 Capital Partners LLC and Subsidiaries

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December 31, 2014

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**Report of Independent Registered Public Accounting Firm**

To Management of M3 Capital Partners LLC:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of operations and comprehensive income, of changes in equity, and of cash flows present fairly, in all material respects, the financial position of M3 Capital Partners LLC and Subsidiaries at December 31, 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The information contained in Supplemental Schedules I and II is supplemental information required by Rule 17a-5 under the Securities Exchange Act of 1934. The supplemental information is the responsibility of the Company's management. The supplemental information has been subjected to audit procedures performed in conjunction with the audit of the Company's consolidated financial statements. Our audit procedures included determining whether the supplemental information reconciles to the consolidated 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 Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*PricewaterhouseCoopers LLP*

February 20, 2015

**M3 Capital Partners LLC and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**December 31, 2014**

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<b>Assets</b>	
Cash and cash equivalents	\$ 24,880,310
Accounts receivable	10,824,038
Investments, at fair value (cost of \$3,229,393)	4,149,423
Fixed assets, net of accumulated depreciation	568,021
Notes receivable from employees/members	217,405
Prepaid assets	449,195
Other assets	<u>521,334</u>
Total assets	<u>\$ 41,609,726</u>
<b>Liabilities and Equity</b>	
Liabilities	
Accrued compensation and other accrued expenses	\$ 11,260,959
Long-term liabilities	<u>538,816</u>
Total liabilities	<u>11,799,775</u>
Equity	
Members' capital	30,154,091
Accumulated other comprehensive loss	<u>(933,406)</u>
Total members' equity	29,220,685
Noncontrolling interest in subsidiaries	<u>589,266</u>
Total equity	<u>29,809,951</u>
Total liabilities and equity	<u>\$ 41,609,726</u>

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

**M3 Capital Partners LLC and Subsidiaries**  
**Consolidated Statement of Operations and Comprehensive Income**  
**Year Ended December 31, 2014**

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<b>Revenues</b>	
Financial advisory fees	\$ 6,614,726
Management fees	4,953,260
Other income	<u>18,310,003</u>
Total revenues	<u>29,877,989</u>
<b>Expenses</b>	
Payroll and related costs	19,098,400
Professional fees	1,619,531
Occupancy costs	1,637,646
Travel and entertainment	1,780,978
Marketing and presentation costs	257,479
Office expenses	808,754
Insurance expense	190,636
Recruitment	155,729
Depreciation	425,758
Industry databases and publications	296,413
Regulatory fees and expenses	62,487
Other expenses	<u>2,272,431</u>
Total operating expenses	<u>28,606,242</u>
Net income before income taxes	1,271,747
Income taxes	<u>(625,792)</u>
Net income	<u>645,955</u>
Net income attributable to noncontrolling interests in subsidiaries	<u>(83,342)</u>
Net income attributable to members	<u>562,613</u>
<b>Other comprehensive income</b>	
Foreign currency translation adjustments	<u>(324,184)</u>
Comprehensive income	<u>\$ 238,429</u>

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

**M3 Capital Partners LLC and Subsidiaries**  
**Consolidated Statement of Changes in Equity**  
**December 31, 2014**

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	Members'	Accumulated Other Comprehensive Loss	Noncontrolling Interest in Subsidiaries	Total Equity
	Capital			
<b>Balance at December 31, 2013</b>	\$ 29,585,928	\$ (609,222)	\$ 426,751	\$ 29,403,457
Net income	562,613	-	83,342	645,955
Distributions	-	-	(28,409)	(28,409)
Capital contributions	5,550	-	112,568	118,118
Redemptions	-	-	(21)	(21)
Foreign currency translation adjustments	-	(324,184)	(4,965)	(329,149)
<b>Balance at December 31, 2014</b>	<u>\$ 30,154,091</u>	<u>\$ (933,406)</u>	<u>\$ 589,266</u>	<u>\$ 29,809,951</u>

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

**M3 Capital Partners LLC and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2014**

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<b>Cash flows from operating activities</b>	
Net income	\$ 645,955
Adjustments to reconcile net income to net cash flows used in operating activities	
Depreciation expense	425,758
Loss on disposal of assets	67,121
Loss on exit from joint venture	11,700
Unrealized appreciation on investments	(327,903)
Equity in earnings of joint venture	(92,688)
Increase in accounts receivable	(5,597,607)
Decrease in notes receivable from employees/members	449,351
Increase in prepaid and other assets	(279,984)
Decrease in accrued compensation and other accrued expenses	(9,040,370)
Decrease in deferred compensation liability	(37,548)
Increase in long-term liabilities	393,196
Net cash flows used in operating activities	<u>(13,383,019)</u>
<b>Cash flows from investing activities</b>	
Purchases of fixed assets	(463,426)
Purchases of investments in real estate private equity funds	(844,557)
Returns of capital from investments in real estate private equity funds	238,537
Net cash flows used in investing activities	<u>(1,069,446)</u>
<b>Cash flows from financing activities</b>	
Issuance of units	5,550
Payment of accrued redemptions	(5,000)
Payment of accrued distributions	(1,795,885)
Capital contributions by noncontrolling interest in subsidiaries	112,568
Distributions to noncontrolling interest in subsidiaries	(28,409)
Redemptions of noncontrolling interest in subsidiaries	(21)
Net cash flows used in financing activities	<u>(1,711,197)</u>
Effect of exchange rate changes on cash balance	<u>(279,762)</u>
Net decrease in cash and cash equivalents	<u>(16,443,424)</u>
<b>Cash and cash equivalents</b>	
Beginning of year	<u>41,323,734</u>
End of year	<u>\$ 24,880,310</u>
<b>Supplemental cash flow information</b>	
Taxes paid during the year	\$ 555,021
<b>Supplemental disclosure of noncash activities</b>	
Write off of depreciated fixed assets	\$ 368,158

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

# **M3 Capital Partners LLC and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014**

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#### **1. General Information**

M3 Capital Partners LLC ("M3") and its wholly owned subsidiaries, M3 Capital Partners Limited ("M3 Ltd."), M3 Capital Partners (HK) Limited ("M3 HK Ltd.") and M3 Capital Partners Gestora de Recursos Ltda. ("M3 Ltda."), were formed for the purpose of providing global real estate investment banking services, including provision of financial advisory services. M3 is a registered broker-dealer in the United States and has an office in Chicago. M3 Ltd. maintains an office in London and holds a securities license through its subsidiary M3 Capital Partners (UK) LLP ("M3 LLP"). M3 HK Ltd. is a licensed securities dealer in Hong Kong and maintains an office in Hong Kong. M3 Ltda. maintains an office in São Paulo. M3 does not take a position in any securities (other than investment securities) and does not hold customers' securities at any time.

Evergreen Investment Advisors LLC ("EIA") is a registered investment advisor under the Investment Advisers Act of 1940 and a wholly owned subsidiary of M3 which was established to manage real estate private equity funds. Atrium Finance GmbH ("Atrium GmbH") was established in Munich in 2014, as a subsidiary of M3, and provides sub-advisory services in managing a real estate based private equity fund. M3 has formed other subsidiaries to hold minority stakes in these various real estate private equity funds, and these subsidiaries are owned, in part, by noncontrolling investors.

The Class C and Class D interests in M3 are owned by management members of M3. The primary difference between the Class C and the Class D units is the allocation of earnings. Specifically, for each series of Class D units, the Company must achieve a performance objective (the "Hurdle Threshold"), as defined in the Fifth Amended and Restated LLC Agreement, to become eligible for distributions. In the event of liquidation, members' equity will be distributed in accordance with the terms of the Fifth Amended and Restated LLC Agreement, which are based primarily on ownership percentages.

#### **2. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and are presented in U.S. dollars.

The accompanying consolidated financial statements include the results of M3 and its subsidiaries (collectively, the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation. Noncontrolling interests are treated as a separate component of equity, with any changes in the ownership interest (in which control is retained) accounted for as capital transactions.

##### **Cash and Cash Equivalents**

The Company considers all cash on hand, demand deposits with financial institutions and short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. The Company invests its cash primarily in deposits and with commercial banks. At times, cash balances held at banks and financial institutions may exceed federally insured amounts. The Company believes that credit risk is mitigated by depositing cash in or investing through major financial institutions.

# **M3 Capital Partners LLC and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014**

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#### **Accounts Receivable**

Accounts receivable is comprised primarily of amounts due to the Company for fees earned on financial advisory transactions and investment advisory activities. The receivables are recorded when the related revenue is earned. Given the nature of these receivables, the amounts recorded on the consolidated statement of financial position approximate fair value. The receivables are reviewed periodically for potential impairment.

#### **Investments**

The Company's investments are comprised of interests in real estate private equity funds. These interests are redeemable only upon approval by all fund investors. In accordance with U.S. GAAP, investments are carried at estimated fair value as determined by the funds' manager, based on assumptions made and valuation techniques used by the manager. Changes in fair value are recorded as other income in the consolidated statement of operations and comprehensive income. The investments held by the funds are not readily marketable, and the estimated fair values could materially differ from the fair values received by the funds in connection with disposition of an investment.

#### **Investment in Joint Venture**

M3 HK Ltd. previously held a 50% stake in a joint venture entity, which was exited in 2014. The joint venture investment was accounted for under the equity method, whereby the carrying amount of the investment reflected on the consolidated statement of financial position included M3 HK Ltd.'s share of earnings or losses of the joint venture entity.

#### **Fixed Assets**

Fixed assets are recorded at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets (generally two to ten years).

#### **Notes Receivable from Employees/Members**

Notes receivable from employees/members are interest-bearing, with interest rates from 1.07% to 1.12%. Repayment dates range from 2017 to 2021.

#### **Liabilities**

Expenses are accrued when they are reasonably estimable.

#### **Revenue Recognition**

Financial advisory fees are recognized by the Company pursuant to the applicable agreement, generally upon the closing of the individual security issuance or upon completion of specified tasks. Management fees are accounted for on an accrual basis. In addition, the Company may earn incentive fees which are recognized when fixed and determinable.

#### **Reimbursable Expenses**

Expenses which are reimbursed by customers of \$1,267,726 are recorded as other income and other expenses in the consolidated statement of operations and comprehensive income.

#### **Other Comprehensive Income**

Other comprehensive income for the Company consists of foreign currency translation adjustments which have been recorded as a component of equity. Subsidiaries with functional currencies of Euro, British pounds sterling, Hong Kong dollars, or Brazilian reais translate their financial statements into U.S. dollars. Assets and liabilities are translated at the exchange rate at the end of the period. Income and expenses are translated at the daily spot rate. Gains and losses resulting from translation are included in accumulated other comprehensive loss as a separate component of members' equity.

# M3 Capital Partners LLC and Subsidiaries

## Notes to Consolidated Financial Statements

### December 31, 2014

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#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **3. Related Party Transactions**

#### **EIA**

EIA manages real estate private equity funds, in which M3 is a minority investor through its subsidiary entities. For the year ended December 31, 2014, EIA earned approximately \$4.8 million in management fees. In 2014, EIA also earned expense reimbursements of approximately \$14.1 million, which is included in other income in the consolidated statement of operations and comprehensive income. As of December 31, 2014, approximately \$4.5 million due from the real estate private equity funds to EIA is included as accounts receivable on the consolidated statement of financial position.

#### **Everview Capital Partners (HK) Limited**

Everview Capital Partners (HK) Limited ("Everview") is a subsidiary of one of the real estate private equity funds managed by EIA. In May 2014, Everview personnel became employees of M3 HK Ltd. In relation to this arrangement, M3 HK Ltd. earned expense reimbursements of approximately \$2.1 million from Everview, which is included in other income in the consolidated statement of operations and comprehensive income. As of December 31, 2014, \$61,182 of prepaid reimbursements due to Everview is included in other accrued expenses on the consolidated statement of financial position.

#### **Atrium GmbH**

Atrium GmbH is a sub-advisor to a real estate private equity fund, in which M3 is a minority investor through its subsidiary entities. In relation to this arrangement, in 2014, subsidiaries of M3 earned \$198,400 in management fees, as well as other fees of \$42,772 and expense reimbursements of \$20,014, which are included in other income in the consolidated statement of operations and comprehensive income. As of December 31, 2014, \$52,808 due from the real estate private equity fund is included in accounts receivable and \$33,820 of prepaid management fees is included in other accrued expenses on the consolidated statement of financial position.

#### **M3**

Included in accounts receivable on the consolidated statement of financial position is \$702,004 of tax payments made on behalf of certain members.

### **4. Compensation Plans**

#### **Defined Contribution Plans**

The Company offers defined contribution plans whereby it matches a portion of employee contributions to the plans. The Company made contributions of \$244,986 during 2014, which is included in payroll and related costs in the consolidated statement of operations and comprehensive income.

**M3 Capital Partners LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

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**5. Fixed Assets**

Fixed assets consisted of the following as of December 31, 2014:

Computer equipment and software	\$ 1,386,792
Office furniture and equipment	860,059
Leasehold improvements	838,595
Accumulated depreciation	<u>(2,517,425)</u>
Total fixed assets, net of accumulated depreciation	<u>\$ 568,021</u>

**6. Commitments and Contingencies**

The Company has entered into various lease agreements for office space. Future minimum lease payments are as follows:

Years ended December 31,	
2015	\$ 1,081,243
2016	988,480
2017	784,869
2018	399,508
2019	40,264
Thereafter	<u>-</u>
	<u>\$ 3,294,364</u>

Rent expense is recognized on a straight-line convention, under which contractual rent changes are recognized evenly over the lease term. As of December 31, 2014, the Company has a deferred rent liability of \$300,631, which is reflected in long-term liabilities on the consolidated statement of financial position.

The Company has made capital commitments of \$4.5 million and 400,000 Euros (equivalent to \$483,993 as of December 31, 2014) to related-party real estate private equity funds. As of December 31, 2014, \$2,777,796 of these commitments had been contributed to the funds and is included in investments on the consolidated statement of financial position.

Under the Company's organizational documents, its officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Company. In addition, in the normal course of business, the Company enters into contracts with its vendors and others that provide for general indemnification. The Company's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Company. However, based on experience, the Company expects the risk of loss to be remote.

In the normal course of business, the Company may be involved in legal actions arising from its operating activities. In management's opinion, the liabilities, if any, that may ultimately result from such legal actions are not expected to have a material adverse effect on the financial position, operations and liquidity of the Company.

# **M3 Capital Partners LLC and Subsidiaries**

## **Notes to Consolidated Financial Statements**

### **December 31, 2014**

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#### **7. Income Taxes**

As a limited liability company, M3 is not subject to U.S. federal income taxes. Taxable earnings of M3 flow through to the members. M3 Ltd., M3 HK Ltd., M3 Ltda. and Atrium GmbH are subject to corporate taxes calculated using the income tax rates in effect under existing legislation. The 2014 statutory UK tax rate applicable to M3 Ltd. was 21.5% (23% through March 31, 2014 and 21% thereafter), while the Hong Kong statutory tax rate applicable to M3 HK Ltd. was 16.5%, the Brazilian statutory rate applicable to M3 Ltda. was 34% and the German statutory rate applicable to Atrium GmbH was 32.975% for 2014.

Total income tax expense for the taxable subsidiaries of M3 was \$625,792 for the year ended December 31, 2014. This is comprised of current income tax expense of \$614,491 and deferred income tax expense of \$11,301. The deferred income tax expense is a function of temporary differences occurring during the year (items which are treated differently for tax purposes than for financial reporting purposes) and the utilization of previously recognized deferred income tax assets. Temporary differences are due primarily to differences in depreciation timing between financial reporting and tax methods.

As of December 31, 2014, an accrual for income taxes of \$196,586 is included in other accrued expenses, a deferred tax asset of \$707,491 and an offsetting valuation allowance of \$570,981 are reflected in other assets, and a deferred tax liability of \$506 is reflected in long-term liabilities on the consolidated statement of financial position. The valuation allowance relates entirely to Atrium GmbH, which has incurred cumulative losses to date. While the Company remains committed to its operations at Atrium GmbH, it is uncertain whether the deferred tax asset will be realizable.

The authoritative guidance on accounting for and disclosure of uncertainty in tax positions (Accounting Standards Codification Topic 740, Income Taxes) requires management to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. For tax positions meeting the more likely than not threshold, the tax amount recognized in the consolidated financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2014, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2008 forward (with limited exceptions).

#### **8. Reserve Requirements and Net Capital Requirements**

M3 is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. M3 utilizes the aggregate indebtedness method permitted by Rule 15c3-1. As of December 31, 2014, M3 had net capital of \$5,822,160 which exceeded required net capital by \$5,395,451.

M3 claims exemption under Section k(2)(i) from the Securities and Exchange Commission Reserve Requirements (Rule 15c3-3).

The following is a summary of certain financial information of the Company's consolidated subsidiaries:

**M3 Capital Partners LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

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	Total Company	Effect of Consolidation	M3
Total assets	\$ 41,609,726	\$ 5,990,444	\$ 35,619,282
Total liabilities	11,799,775	5,399,147	6,400,628
Total equity	29,809,951	591,297	29,218,654

The Company's investments in and receivables from subsidiaries of \$22,042,461 is not included in the computation of M3's net capital under Rule 15c3-1.

M3 LLP is subject to maintenance of adequate capital resources requirements as promulgated by the Financial Conduct Authority in the UK. As of December 31, 2014, M3 LLP had capital resources of 2.5 million pounds sterling, which exceeded its capital resources requirement by 1.9 million pounds sterling (equivalent to \$3.9 million and \$2.9 million U.S. dollars, respectively).

M3 HK Ltd. is subject to maintenance of adequate capital resources requirements as promulgated by the Securities and Futures Commission in Hong Kong. As of December 31, 2014, M3 HK Ltd. had capital resources of 7.0 million Hong Kong dollars, which exceeded its capital resources requirement by 4.0 million Hong Kong dollars (equivalent to \$0.9 million and \$0.5 million U.S. dollars, respectively).

**9. Fair Value Measurements**

The Company holds investments in real estate private equity funds, which are stated at fair value in the consolidated financial statements in accordance with Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures ("ASC 820"). This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

To increase consistency and comparability in fair value measurements and related disclosures, the Company utilizes the fair value hierarchy required by ASC 820 which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 Quoted prices in active markets for identical securities.

Level 2 Prices determined using other significant observable inputs, including quoted prices for similar securities.

Level 3 Prices determined using significant unobservable inputs. Unobservable inputs reflect the Company's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available in the circumstances.

In accordance with U.S. GAAP, the estimated fair value of the Company's interests in real estate private equity funds is determined by using Level 3 significant unobservable inputs. The investments held by the funds are not readily marketable, and the estimated fair values are determined by the funds' manager based on various methods including discounted cash flows, direct capitalization and earnings multiples. The Company uses its pro-rata share of net asset value ("NAV"), as determined by the funds' manager, as its measure of fair value for interests in real estate private equity funds. The Company has determined that NAV was computed in a manner consistent with the measurement principles of investment company accounting, and therefore, no adjustments were made to NAV.

**M3 Capital Partners LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2014**

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The following is a reconciliation of assets for which significant unobservable inputs (Level 3) were used in determining fair value:

	<b>Real Estate Private Equity Funds</b>
<b>Beginning balance, December 31, 2013</b>	\$ 3,240,328
Unrealized gain in the statement of operations	327,903
Effect of foreign exchange rate changes	(24,828)
Contributions to investments	844,557
Returns of capital from investments	<u>(238,537)</u>
<b>Ending balance, December 31, 2014</b>	<b><u>\$ 4,149,423</u></b>

The information used in the above reconciliation represents year-to-date activity for any investments identified as using Level 3 inputs at either the beginning or the end of the year.

**10. Subsequent Events**

The Company has evaluated all subsequent events through the issuance of these consolidated financial statements on February 20, 2015 and has determined that any events or transactions occurring during this period that would require recognition or disclosure are appropriately reflected in these consolidated financial statements and the notes thereto.



## **Supplemental Schedules**

**M3 Capital Partners LLC**  
**Computation of Net Capital under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**December 31, 2014**

**Schedule I**

<b>Net capital</b>	
Total equity	\$ 29,809,951
Noncontrolling interest in subsidiaries	(589,266)
Equity of consolidated affiliate	(2,031)
Ownership equity not allowable	(4,800)
Investments in and receivables from subsidiaries	(22,042,461)
Other nonallowable assets	<u>(1,301,964)</u>
Net capital before haircut	5,869,429
Haircut on securities	<u>(47,269)</u>
Net capital	<u>5,822,160</u>
<b>Aggregate indebtedness (AI)</b>	6,400,628
<b>Computation of basic net capital requirement</b>	
Minimum net capital required (6-2/3% of aggregate indebtedness)	<u>426,709</u>
Excess net capital	<u>5,395,451</u>
Excess net capital at 1,000% (net capital minus 10% of AI)	<u>\$ 5,182,097</u>
Percentage of aggregate indebtedness to net capital	<u>109.94%</u>

There are no material differences between the above computation and the computation included on a nonconsolidated basis in the amended unaudited quarterly FOCUS report filed on February 19, 2015 on Form X-17(a)-5, Part IIA.

**M3 Capital Partners LLC**  
**Computation for Determination of Reserve Requirements and**  
**Information Relating to Possession or Control Requirements**  
**under Rule 15c3-3 of the Securities and Exchange Commission**  
**December 31, 2014**

**Schedule II**

---

M3 claims exemption from Rule 15c3-3 of the Securities Exchange Act of 1934 as provided by paragraph k(2)(i). Accordingly, M3 is not required to submit a computation for determination of reserve requirements or information relating to possession or control requirements.

There are no material differences between the above information and the information included in the unaudited quarterly FOCUS report filed on Form X-17(a)-5, Part IIA.



SEC  
Mail Processing  
Section

FEB 25 2015  
Washington DC  
403

## Report of Independent Accountants

To M3 Capital Partners LLC:

In accordance with Rule 17a-5(e)(4) of the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of the Securities Investor Protection Corporation (SIPC) of M3 Capital Partners LLC for the year ended December 31, 2014, which were agreed to by M3 Capital Partners LLC, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation (collectively, the "specified parties") solely to assist the specified parties in evaluating M3 Capital Partners LLC's compliance with the applicable instructions of Form SIPC-7 during the year ended December 31, 2014. Management is responsible for M3 Capital Partners LLC'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 sum of Total Revenue amounts reported on line 9 of the Statement of Income/(Loss) for each of the four quarterly FOCUS reports of M3 Capital Partners for the year ended December 31, 2014 to the Total Revenue amount of \$847,791 reported on page 2, item 2a of Form SIPC-7 for the year ended December 31, 2014, noting no differences.
2. Compared any adjustments reported on page 2, items 2b and 2c of Form SIPC-7 with the supporting schedules and working papers, as follows:
  - a. Compared the deduction on line 2c(8) for other revenue not related either directly or indirectly to the securities business, of \$847,791 to the audited books and records of M3 Capital Partners LLC that represented revenue from real estate transactions and related advisory fees, noting no differences.
3. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers obtained in procedure 2, as follows:
  - a. Recalculated the mathematical accuracy of the SIPC Net Operating Revenues on page 2, line 2d and the General Assessment @ .0025 on page 2, line 2e of \$0 and \$0, respectively, of the Form SIPC-7, noting no differences.
4. Compared the amount of any overpayment applied to the current assessment on page 1, item 2C of Form SIPC-7 with page 1, item 2H of the Form SIPC-7 filed for the prior period ended December 31, 2013 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 the Company's preparation of Form SIPC-7 in accordance with the applicable instructions. 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 management and the board of directors of M3 Capital Partners LLC, the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and the Securities Investor Protection Corporation and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

February 20, 2015

General Assessment Reconciliation

For the fiscal year ended 12/31/2014
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

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

10\*10\*\*\*\*\*1083\*\*\*\*\*ALL FOR AADC 606
053097 FINRA DEC
M3 CAPITAL PARTNERS LLC
ATTN AMY MOSNY CONTROLLER
150 S WACKER DR STE 3100
CHICAGO IL 60606-4224

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

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

Amy Mosny 312-499-8556

Table with 2 columns: Description and Amount. Rows include General Assessment, Less payment made with SIPC-6, Date Paid, Less prior overpayment applied, Assessment balance due, Interest computed, Total assessment balance, PAID WITH THIS FORM, and Overpayment carried forward.

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

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

M3 Capital Partners LLC
(Name of Corporation, Partnership or other organization)

[Signature]
(Authorized Signature)

Dated the 20 day of February, 20 15.

Chief Operating Officer
(Twice)

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

SIPC REVIEWER Dates: Postmarked, Received, Reviewed. Calculations, Documentation, Forward Copy. Exceptions: Disposition of exceptions:

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

Amounts for the fiscal period  
beginning 1/1/2014  
and ending 12/31/2014

**Item No.**

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

Eliminate cents  
\$ 847,791

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business. (See Instruction C):

All revenues relate to unregistered investment contracts  
(Deductions in excess of \$100,000 require documentation) related to real estate partnerships.

847,791

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

\$ \_\_\_\_\_

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

\$ \_\_\_\_\_

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

Total deductions

847,791

d. SIPC Net Operating Revenues

\$ 0

e. General Assessment @ .0025

\$ 0

(to page 1, line 2.A.)