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8-68508

**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 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **KAPITALL GENERATION, LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

1460 Broadway, 4<sup>th</sup> floor

(No. and Street)

New York

New York

10036

(City)

(State)

(Zip Code)

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

Stephen Roberts

(201) 310 - 5322

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Alberin Nebbia & Associates

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

375 Passaic Avenue, Suite 200

Fairfield

New Jersey

07004

(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)

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SEC 1410 (06-02)

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**AFFIRMATION**

I, Barry Mione, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to Kapitall Generation LLC, as of and for the year ended December 31, 2017, are true and correct. I further affirm that neither Kapitall Generation LLC, nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer.

Barry Mione

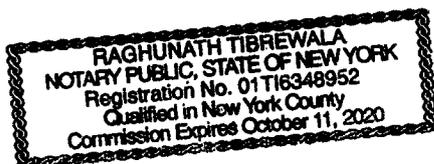
CEO

R. Tibrewala

Notary Public

2/27/2018

Date



**KAPITALL GENERATION LLC**  
**(A Wholly Owned Subsidiary of NEW KAPITALL HOLDINGS, LLC )**

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- Report of Independent Registered Public Accounting Firm.
- (a) Facing Page.
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- (c) Statement of Operations.
- (d) Statement of Changes in Member's Equity.
- (e) Statement of Cash Flows.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
- Notes to Financial Statements.
- (g) Computation of Net Capital For Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934.
- (h) Computation for Determination of Reserve Requirements For Brokers And Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3 Under the Securities Exchange Act of 1934.
- (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 (not applicable).
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Affirmation.
- (m) Copy of the SIPC Supplemental Report (filed separately).
- (n) A Report Describing the Broker-Dealer's Compliance with the Exemptive Provisions of Section k of SEC Rule 15c3-3 (the "Exemption Report") and Independent Registered Public Accountant's Report on the Exemption Report.

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

375 Passaic Avenue  
Suite 200  
Fairfield, NJ 07004  
973-808-8801  
Fax 973-808-8804



Steven J. Alperin, CPA  
Vincent Nebbia, CPA  
Jeffrey M. Sellgmuller, CPA  
Roger J. Hltchuk, CPA

**Report of Independent Registered Public Accounting Firm**

To the Member of  
Kapital Generation, LLC

**Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Kapital Generation, LLC (the "Company") as of December 31, 2017, the related notes and schedules (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2017.

Alperin, Nebbia & Associates, CPA, PA

*Alperin, Nebbia & Associates, CPA, PA*

Fairfield, New Jersey  
February 28, 2018

**KAPITALL GENERATION LLC**  
**(A Wholly Owned Subsidiary of New Kapitall Holdings, LLC)**

**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2017**

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**ASSETS**

Cash	\$	352
Clearing Deposit		200,527
Prepaid expenses		28,137
Due from Parent		6,803
Accounts receivable		<u>4,000</u>
	\$	<u>239,819</u>

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES:**

Accounts payable		54,763
Accrued expenses		14,800
Due to clearing broker		<u>19,381</u>
Total liabilities		<u>88,944</u>

**MEMBER'S EQUITY:**

		<u>150,875</u>
	\$	<u>239,819</u>

See notes to financial statements.

**KAPITALL GENERATION LLC**  
**(A Wholly Owned Subsidiary of New Kapitall Holdings LLC)**

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

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**1. ORGANIZATION AND BUSINESS DESCRIPTION**

**Organization** — Kapitall Generation, LLC (a Wholly Owned Subsidiary of New Kapitall Holdings, LLC) (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 Company’s original parent company, 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 wholly owns Kapitall Generation LLC and has represented it will continue to provide the necessary capital for the Company’s operating expenses and net capital requirement. New Kapitall Holdings, LLC is a wholly owned subsidiary of LV Kapitall, LLC.

The liability of the member for the losses, debts, and obligations of the Company is generally limited to its capital contributions.

**Business Description** — The Company engages in on-line retail brokerage operations as an introducing broker to its clearing firm, Apex Clearing Corporation.

**2. ACCOUNTING POLICIES**

**Basis of Presentation** — The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Use of Estimates in the Preparation of Financial Statements** — The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities, the 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 materially from the estimates included in the financial statements.

**Revenue Recognition** — Securities transactions and the related revenues and expenses are recorded on a trade date basis. Fees for services rendered are recorded on an accruals basis.

**Income Taxes** — While the Company is a disregarded entity for income tax purposes, the net loss is included in the corporate income tax returns of its parent.

Uncertain tax positions are recorded in accordance with Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, on the basis of a two-step process, whereby (1) the Company determines whether it is more likely than not the tax positions would be sustained on the basis of the technical merits of the position taken and (2) for those tax positions that meet the more-likely-than-not recognition

threshold, the Company would recognize the largest amount of tax benefit that is more than 50% likely to be realized upon the ultimate settlement with the related tax authority. As of December 31, 2017, 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 for the periods since 2013.

**Cash** — All cash is on deposit in a non-interest-bearing account with a major financial institution.

**Clearing Deposit** — All funds are held by Apex Clearing Corporation, the Company's fully disclosed clearing agent.

**Accounts receivable** — Accounts receivable are presented on the balance sheet net of estimated uncollectible amounts. The Company records an allowance for estimated uncollectible accounts in an amount approximating anticipated losses. Individual uncollectible accounts are written off against the allowance when collection of the individual accounts appears doubtful. The Company recorded an allowance for doubtful accounts of \$0 as of December 31, 2017.

**Commissions** — The Company earns commissions from its customers for trades executed, cleared and settled by Apex Clearing Corporation acting as the Company's fully disclosed clearing agent.

**Fair Value of Financial Assets and Liabilities** — The majority of the Company's financial assets and liabilities are recorded at amounts that approximate fair value. Such assets and liabilities include cash, clearing deposit, due to brokers, prepaid expenses, accounts payable, accrued expenses, and due to parent. The fair value of the Company's financial assets and liabilities approximates the carrying value due to the short-term nature and characteristics of the asset or liability.

**Accounts payable and Accrued Expenses** — The Company has accounts payable and accrued expenses that represent payments due for outside services and other various liabilities.

### 3. SERVICE FEE REVENUES

Since May 2016, the Company had provided Administrative Services to SaveDay, a provider of 401(k) retirement plans to smaller employers, whose systems are fully integrated with the Company's platform. SaveDay is wholly-owned by LV Kapitall, LLC. SaveDay paid \$1,500 per month to the Company for the Administrative Services provided, which are reported as Service Fees in the Statement of Operations.

Furthermore, the Company had contracted with WealthyX to provide automated investment management ("robo advisory") services which are made available to SaveDay and its clients. In turn the Company had paid WealthyX \$1,500 per month for the robo advisory services, which are included in data services expense in the Statement of Operations.

On August 31, 2017 New Kapitall Holding, LLC purchased WealthyX and consequently, with effect from October 1, 2017 SaveDay pays the robo advisory service fees directly to New Kapitall Holdings, LLC and the Company has waived the administrative services fee previously charged to SaveDay.

#### **4. ADMINISTRATIVE SERVICE AGREEMENT**

The Company entered into an administrative service agreement with its parent company, New Kapitall Holdings, LLC, 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 New Kapitall Holdings, LLC to the Company or the Company will accrue such expenses as a liability on its books. During the year ended December 31, 2017, the Company's obligation to New Kapitall Holdings, LLC in the amount of \$877,745 was transferred into equity and was treated as an additional capital contribution. At December 31, 2017, a balance was due from New Kapitall Holdings, LLC of \$6,803. The Company recognized expenses of \$528,255 per this administrative service agreement in the Statement of Operations.

#### **5. NET CAPITAL REQUIREMENT**

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 aggregate 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, 2017, the Company had net capital, as defined, of \$111,935 which was \$106,005 in excess of its required net capital of \$5,930. Aggregate indebtedness at December 31, 2017 was \$88,944. The ratio of aggregate indebtedness to net capital was 0.7946 to 1.

#### **6. STOCK BASED COMPENSATION**

In August 2011, the board of the former 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.

Following the sale of Kapitall, Inc. to New Kapitall Holdings, LLC on January 31, 2014, it was determined that no further compensation expense relating to these options would be recognized in the Company's financial statements, pending approval to terminate the plan by New Kapitall Holdings, LLC's board of directors. On February 24, 2017 the New Kapitall Holdings, LLC's board of directors approved a resolution to obtain the necessary shareholder approvals to terminate the plan.

Mr. Mione, the Company's CEO, and the only employee of the Company that meets the continuous service requirements of the options plan, has provided his approval to relinquish his option rights.

#### **7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 1, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that required adjustment to or disclosure in the consolidated financial statements except as described above.

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Washington DC  
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# **Kapital Generation, LLC**

**(A Wholly-Owned Subsidiary of  
New Kapital Holdings, LLC)**

**Statement of Financial Condition  
December 31, 2017**

**This report is deemed PUBLIC in accordance with Rule 17a-5(e)(3) under the Securities Exchange Act of 1934.**