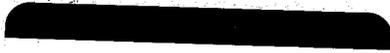


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SEC 09058261 SION

Washington, DC

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER
8- 49491

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 01/01/2008 AND ENDING 12/31/2008
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cheval Capital, Inc.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
901 N Pitt Street, #110

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)
Alexandria Virginia 22314
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Francis C. Stiff 703-549-7390
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Buck, Sturmer & Co., P.C.
(Name - if individual, state last, first, middle name)
521 Fifth Avenue New York NY 10175
(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

FEB 27 2009

Washington, DC
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*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)

OATH OR AFFIRMATION

I, Francis C Stiff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cheval Capital, Inc., as of December 31, 2008, 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:

[Handwritten Signature]

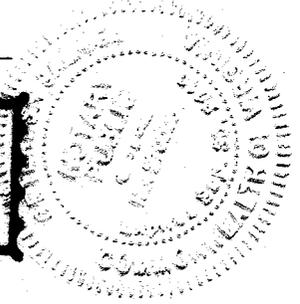
Signature

President

Title

[Handwritten Signature] 2/25/09
Notary Public

GETENESH SAMUEL
Notary Public
Commonwealth of Virginia
270005
My Commission Expires Sep 30, 2010



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).

Cheval Capital, Inc.

Financial Statements

Year Ended December 31, 2008

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-7
SUPPLEMENTARY INFORMATION:	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	8
Computation for Determination of Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	9
Information Relating to Possession or Control Requirements Under Rule 15c3-3 of the Securities and Exchange Commission	10
Independent Auditors' Report on Internal Control Required by Rule 17a-5 of the Securities and Exchange Commission	11-12

Buck, Sturmer & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

521 FIFTH AVENUE, NEW YORK, NEW YORK 10175

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cheval Capital, Inc.
Alexandria, VA

We have audited the accompanying statement of financial condition of Cheval Capital, Inc. (the Company) as of December 31, 2008 and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheval Capital, Inc. as of December 31, 2008 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 8 through 10 is presented for purposes of additional analysis and are not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. The schedules are the responsibility of the Company's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Buck, Sturmer & Co.

BUCK, STURMER & CO., P.C.
Certified Public Accountants

February 24, 2009
New York, NY

Cheval Capital, Inc.

Statement of Financial Condition

December 31, 2008

ASSETS

Cash and cash equivalents	\$	276,296
Accounts receivable		122,471
Property and equipment, net of depreciation		2,949
Other assets		<u>2,800</u>
TOTAL	\$	<u>404,516</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$	<u>24,395</u>
---------------------------------------	----	---------------

STOCKHOLDER'S EQUITY

Common Stock - \$ 0.01 Par Value; Authorized 1,000 Shares; Issued 100 Shares		1
Additional paid-in capital		43,349
Retained earnings		<u>336,771</u>
Total Stockholder's Equity		<u>380,121</u>

TOTAL	\$	<u>404,516</u>
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The accompanying notes are an integral part of these financial statements.

Cheval Capital, Inc.

Statement of Income

Year Ended December 31, 2008

REVENUES:

Fee income	\$ 400,968
Interest income	<u>3,131</u>
Total Income	<u>404,099</u>

EXPENSES:

Officers' compensation and benefits	113,199
Occupancy costs	54,422
Depreciation and amortization	755
Membership, registration and other fees	3,030
Communications	10,745
Other operating expenses	<u>78,600</u>
Total Expenses	<u>260,751</u>

NET INCOME \$ 143,348

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

Cheval Capital, Inc.

Statement of Changes in Stockholder's Equity

Year Ended December 31, 2008

	<u>Capital Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	<u>Common</u>		<u>Paid-in</u>	<u>Earnings</u>	<u>Stockholder's</u>
	<u>Shares</u>	<u>Amount</u>	<u>Capital</u>	<u>Earnings</u>	<u>Equity</u>
Balance, beginning	100	\$ 1	\$ 43,349	\$ 283,423	\$ 326,773
Net Income				143,348	143,348
Distribution to Stockholder				(90,000)	(90,000)
Balance, ending	<u>100</u>	<u>\$ 1</u>	<u>\$ 43,349</u>	<u>\$ 336,771</u>	<u>\$ 380,121</u>

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

Cheval Capital, Inc.

Statement of Cash Flows

Year Ended December 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Income	\$	143,348
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		755
Loss on property and equipment		1,469
Bad debt expense		7,609
Changes in assets and liabilities:		
(Increase) decrease:		
Accounts receivable		(109,370)
Increase (decrease):		
Accounts payable and accrued expenses		<u>17,101</u>
Net cash provided by operating activities		<u>60,912</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Payment for purchase of securities		(216)
Payment for purchase of property and equipment		<u>(1,700)</u>
Net cash used in investing activities		<u>(1,916)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Distribution to stockholder		<u>(90,000)</u>
Net cash used in financing activities		<u>(90,000)</u>

Net increase in cash and cash equivalents		(31,004)
Cash and equivalents - beginning of year		<u>307,300</u>
Cash and equivalents - end of year	\$	<u><u>276,296</u></u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for:		
Interest	\$	<u><u>-</u></u>

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

Cheval Capital, Inc.

Notes to Financial Statements

December 31, 2008

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Cheval Capital, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA) The Company is a Virginia corporation incorporated on July 12, 1996.

The Company provides investment banking services to corporate clients. Such services include acting as a placement agent in private equity and debt offerings and providing financial advice in mergers and acquisitions and other areas.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Fee Income

Fee income is recorded as earned, with billed but not paid amounts reflected as accounts receivable and amounts received but not yet earned reflected as deferred fee income.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Cash - Concentration of Credit Risk

The Company had cash balances in excess of the \$250,000 FDIC limits at December 31, 2008 and, at times, during the year. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Accounts Receivable

The Company considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Management periodically reviews accounts receivable and if amounts are considered uncollectible they are charge to bad debt expense.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets (primarily five years). When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized currently. The cost of maintenance and repairs is charged to expense as incurred, whereas renewals and betterments are capitalized.

Income Taxes

The Company has elected, with the consent of its stockholder, to be taxed as an "S" Corporation under Internal Revenue Code Section 1362(a). An "S" Corporation does not generally pay income taxes but, instead, its stockholder is taxed on the Company's income. Therefore, these statements do not include any provision for federal corporate income taxes.

Cheval Capital, Inc.

Notes to Financial Statements

December 31, 2008

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amounts of 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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following at December 31, 2008:

Furniture and fixtures	\$ 27,533
Office equipment	12,900
Leasehold improvements	<u>10,200</u>
	50,453
Less: accumulated depreciation	<u>(47,504)</u>
	<u>\$ 2,949</u>

NOTE 4 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 (and the rule of the applicable exchange also provides that equity may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2008, the Company had net capital of \$ 247,656, which was \$ 242,656 in excess of its required net capital of \$ 5,000. The Company's aggregate indebtedness to net capital ratio was .01 to 1.00.

NOTE 5 - PENSION PLAN

The Company maintains a defined contribution profit sharing pension plan for all employees meeting minimum eligibility requirements. A discretionary contribution of \$20,000 was made for the year ended December 31, 2008.

NOTE 6 - LEASE COMMITMENT

On March 6, 2007 the Company entered into a lease modification agreement and exercised its right to extend the original office space lease through March 31, 2010. The lease provides in part for the payment of contingent rentals based upon the escalation of real estate taxes and certain operating expenses.

Minimum future lease payments as of December 31, 2008 were as follows:

Year Ending	
<u>December 31</u>	
2009	\$ 46,755
2010	<u>11,775</u>
Total	<u>\$ 58,530</u>

Supplemental Information
Pursuant to Rule 17a-5 of the
Securities Exchange Act of 1934

Cheval Capital, Inc.

Computation of Net Capital Under Rule 15c3-1 of the
Securities and Exchange Commission

As of December 31, 2008

NET CAPITAL

Total stockholder's equity qualified for net capital \$ 380,121

Deductions and/or charges:

Nonallowable assets:

Accounts receivable	\$ 122,471	
Property and equipment	2,949	
Other assets	2,800	<u>128,220</u>

TOTAL NET CAPITAL BEFORE HAIRCUT ON SECURITIES POSITIONS
(tentative net capital) 251,901

Haircuts on securities

Money market funds	<u>4,245</u>
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NET CAPITAL

\$ 247,656

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:

Accounts payable and accrued expenses	<u>\$ 24,395</u>
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Total aggregate indebtedness	<u>\$ 24,395</u>
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required:

Company	<u>\$ 5,000</u>
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Excess net capital	<u>\$ 242,656</u>
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Excess net capital at 1,000%	<u>\$ 245,216</u>
------------------------------	-------------------

Ratio: Aggregate indebtedness to net capital	<u>.01 to 1</u>
--	-----------------

RECONCILIATION WITH COMPANY'S COMPUTATION

There is no material difference from the Company's computation, therefore a reconciliation is not included.

Cheval Capital, Inc.

Computation for Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

As of December 31, 2008

There are no reportable items with regard to the reserve requirements
Under Rule 15c3-3.

We are exempt from Rule 15c3-3 through the provisions of paragraph k(2)(i).

Cheval Capital, Inc.

Information Relating to Possession or Control Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission

As of December 31, 2008

There are no reportable items with regard to the possession or control requirements Under Rule 15c3-3.

Buck, Sturmer & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

521 FIFTH AVENUE, NEW YORK, NEW YORK 10175

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Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5

To the Board of Directors of
Cheval Capital, Inc.
Alexandria, VA

In planning and performing our audit of the financial statements of Cheval Capital, Inc. (the Company), as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

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

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's 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

Buck, Sturmer & Co., P.C.

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 *control deficiency* 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 control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

Buck, Sturmer & Co

Buck, Sturmer & Co., P.C.
New York, New York
February 24, 2009

CHEVAL CAPITAL, INC.

REPORT PURSUANT TO SEC RULE 17A-5(d)

December 31, 2008