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

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- 44748

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 January 1, 2009 AND ENDING December 31, 2009  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

CAPPELLO CAPITAL CORP.

OFFICIAL USE ONLY

FIRM I.D. NO.

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

100 Wilshire Blvd., Suite 1200

(No. and Street)

Santa Monica

(City)

CA

(State)

90401

(Zip Code)

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

Alexander L. Cappello

310-393-6632

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Brown Armstrong Accountancy Corporation

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

4200 Truxton Ave., Suite 300

(Address)

(City)

Bakersfield

(State)

CA

93309

SECURITIES AND EXCHANGE COMMISSION

RECEIVED

FEB 25 2010

BRANCH OF REGISTRATIONS

AND EXAMINATIONS

CHECK ONE:

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

FOR OFFICIAL USE ONLY

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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, Alexander L. Cappello, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cappello Capital Corp., as of December 31, 20 09, 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: NONE.

  
Signature

President & C.E.O.

Title

\_\_\_\_\_  
Notary Public

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

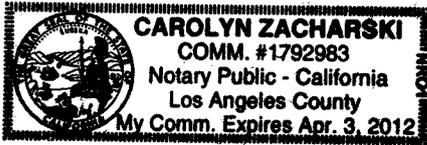
- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) An 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).

JURAT

State of California  
County of Los Angeles } ss.

Subscribed and sworn to (or affirmed) before me on this 19<sup>th</sup> day of  
February, 2010, by Alexander L. Cappello,  
proved to me on the basis of satisfactory evidence to be the person(s) who appeared  
before me.



(seal)

*Carolyn Zacharski*  
Signature of Notary

OPTIONAL INFORMATION

Date of Document \_\_\_\_\_

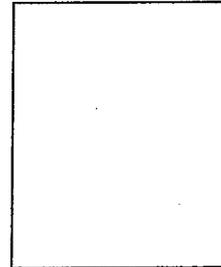
Type or Title of Document

Annual Audited Report

Number of Pages in Document \_\_\_\_\_

Document in a Foreign Language \_\_\_\_\_

Thumbprint of Signer



Type of Satisfactory Evidence:

- Personally Known with Paper Identification
- Paper Identification
- Credible Witness(es)

Capacity of Signer:

- Trustee
- Power of Attorney
- CEO / CFO / COO
- President / Vice-President / Secretary / Treasurer
- Other: \_\_\_\_\_

Check here if no thumbprint or fingerprint is available.

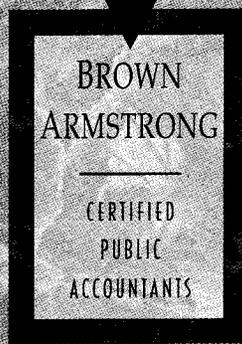
Other Information: \_\_\_\_\_

**CAPPELLO CAPITAL CORP.  
DECEMBER 31, 2009**

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Burton H. Armstrong, CPA, MST  
Andrew J. Pauden, CPA  
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Fresno, California 93720  
Tel 559-476-3592 Fax 559-476-3593

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors  
Cappello Capital Corp.  
Santa Monica, California

We have audited the accompanying statement of financial condition of Cappello Capital Corp. as of December 31, 2009, and the related statements of income, stockholder's equity, and cash flows for the year then ended. 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 Cappello Capital Corp. as of December 31, 2009, 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Burton H. Armstrong", is written over the printed name of the signatory.

By: Burton H. Armstrong

Bakersfield, California  
February 23, 2010

**CAPPELLO CAPITAL CORP.  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2009**

**ASSETS**

Cash	\$ 60,881
Prepaid expenses	<u>706</u>
Total Assets	<u><u>\$ 61,587</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts payable and accrued expenses	<u>\$ 6,079</u>
Total Liabilities	<u>6,079</u>
Stockholders' equity	
Common stock, \$1 par value; authorized 1,000,000 shares; issued and outstanding 100 shares	100
Additional paid in capital	368,246
Retained earnings (Deficit)	<u>(312,838)</u>
Total Stockholders' Equity	<u>55,508</u>
Total Liabilities and Stockholders' Equity	<u><u>\$ 61,587</u></u>

See Notes to the Financial Statements.

**CAPPELLO CAPITAL CORP.  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Revenue:	
Investment banking	<u>\$ 2,755,200</u>
Expense:	
Corporate finance fees (Note 4)	1,375,682
Commissions	663,770
Employee compensation and benefits	546,842
Other	144,061
Occupancy	<u>36,000</u>
	<u>2,766,355</u>
<b>Loss before income taxes</b>	(11,155)
State income taxes	<u>-</u>
<b>Net Loss</b>	<u><u>\$ (11,155)</u></u>

See Notes to the Financial Statements.

**CAPPELLO CAPITAL CORP.  
STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings (Deficit)</u>
	<u>Shares</u>	<u>Amount</u>		
Balance, December 31, 2008	100	\$ 100	\$ 368,246	\$ (261,683)
Net loss	-	-	-	(11,155)
Distributions	-	-	-	(40,000)
Balance, December 31, 2009	<u>100</u>	<u>\$ 100</u>	<u>\$ 368,246</u>	<u>\$ (312,838)</u>

See Notes to the Financial Statements.

**CAPPELLO CAPITAL CORP.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

Cash Flows From Operating Activities	
Net loss	\$ (11,155)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Changes in working capital components:	
(Decrease) in:	
Accounts receivable	61,204
Prepaid expenses	3,300
Accounts payable and accrued expenses	<u>(23,254)</u>
<b>Net cash provided by operating activities</b>	<u>30,095</u>
 Cash Flows From Investing Activities	
Sale of restricted marketable securities	<u>259</u>
<b>Net cash provided by investing activities</b>	<u>259</u>
 Cash Flows from Financing Activities	
Distributions paid	<u>(40,000)</u>
<b>Net cash used in financing activities</b>	<u>(40,000)</u>
<b>Net decrease in cash</b>	(9,646)
 Cash:	
Beginning of year	<u>70,527</u>
End of year	<u><u>\$ 60,881</u></u>

The Company paid \$0 in state income taxes during the year ended December 31, 2009.

**CAPPELLO CAPITAL CORP.  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2009**

**NOTE 1 – NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

*Nature of business:* Cappello Capital Corp. ("the Company") is a California corporation formed in February 1992, for the purpose of conducting business as a broker/dealer in securities. The Company operations consist of wholesaling and retailing private placements of debt and equity securities on a best efforts basis.

The Company operates under the provisions of Paragraph (k)(2)(i) of Rule 15c3-3 of the SEC and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(i) provide that a broker/dealer who carries no margin accounts promptly transmits all customer funds and delivers all securities received in connection with his activities as a broker or dealer, does not otherwise hold funds or securities for or owe money or securities to customers, and effectuates all financial transactions between the broker and dealer and his customers through one or more bank accounts, each to be designated as Special Account for the Exclusive Benefit of Customers of the Company. Brokers/dealers operating under the provisions of (k)(2)(i) are also exempted from the remaining provisions of Rule 15c3-3, including the requirement to make the reserve computations under Rule 15c3-3.

As stated above, the Company operates under the provisions of Paragraph (k)(2)(i) of the SEC and, accordingly is exempt from the remaining provisions of the rule. Specifically, the Company is exempt from the Possession of Control Requirements under Rule 15c3-3 pursuant to Paragraph (k)(2)(i).

A summary of the Company's significant accounting policies follows:

*Use of estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Investment in securities:* Restricted securities are valued at fair value.

*Investment banking:* Investment banking revenues include fees arising from securities offerings in which the Company acts as an agent. Investment banking management fees, sales concessions and associated expenses are recorded at the time the transaction is completed and the income is reasonably determinable.

**NOTE 2 – STATE INCOME TAXES**

The Company has elected S Corporation status for income tax purposes, which requires that the corporate income or loss be distributed to the stockholder for inclusion in his personal income tax returns. The State of California imposes a surtax on the corporation of 1.5% of taxable income, in addition to the taxable income or loss being reported in the stockholder's personal return.

### **NOTE 3 – NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission uniform net capital rule (Rule 15c3-1), which requires the maintenance of a minimum amount of net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Rule 15c3-1 also provides 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, 2009, the Company had net capital and net capital requirements of \$54,802 and \$5,000, respectively. The Company's net capital ratio was 1.0 to 9.0.

### **NOTE 4 – TRANSACTIONS WITH RELATED PARTIES**

The Company has a corporate finance agreement with Cappello Group and Euro American Financial, affiliated Companies. The sole shareholder of the Company is the sole shareholder of Cappello Group and Euro American Financial. Cappello Group and Euro American Financial receive corporate finance fees from time to time as the Company, Cappello Group and Euro American Financial determine for special services rendered. No corporate finance fee is to be paid or accrued which will cause the net capital of the Company to drop below \$10,000, or cause the aggregate indebtedness to net capital ratio of the Company to exceed 8 to 1. In the event Cappello Group and Euro American Financial are not able to continue to provide these services, the Company would be required to obtain them from a third party at a cost that cannot presently be estimated. On April 28, 2009, the Company decided not to use Euro American Financial any more for these purposes, however the sole shareholder is able to require that the Company use Euro American Financial's services whenever he deems necessary. For the year ended December 31, 2009 corporate finance fees paid to Cappello Group and Euro American Financial amounted to \$1,375,682 and are included in general and administrative expense. In addition, the Company paid \$91,655 of overhead costs and \$36,000 of rent to Cappello Group and Euro American Financial. The corporate management fee received from Cappello Group and Euro American Financial was \$203,000 and is included in investment banking fees.

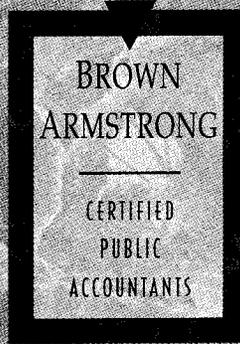
### **NOTE 5 – MAJOR CUSTOMERS/SUPPLIERS**

During the year ended December 31, 2009 the Company received approximately 57% of its revenues from two clients. During the year ended December 31, 2009 the Company incurred approximately 54% of its general and administrative expense with Euro American Financial and Cappello Group, which is explained further at Note 4.

### **NOTE 6 – DEFINED CONTRIBUTION RETIREMENT PLAN**

The Company has a contributory defined contribution retirement plan covering all its employees who meet eligibility requirements and who elect to participate. The Company's contributions to the plan are elective. During 2009, the Company did not make any contributions to the plan.

Peter C. Brown, CPA  
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## INDEPENDENT REGISTERED AUDITOR'S REPORT ON INTERNAL CONTROL

To Financial Industry Regulatory Authority  
and Cappello Capital Corp.

In planning and performing our audit of the financial statements of Cappello Capital Corp. (CCC) as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered CCC'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 CCC's internal control. Accordingly, we do not express an opinion on the effectiveness of CCC's internal control.

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 a 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 a 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 paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This communication is intended solely for the information and use of management, Financial Industry Regulatory Authority, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

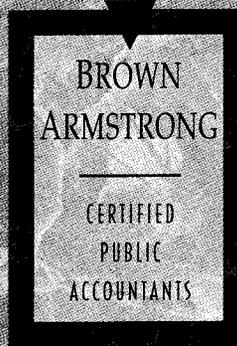
BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink that reads "Burton H. Armstrong". The signature is written in a cursive style with a large, sweeping flourish at the end.

By: Burton H. Armstrong

Bakersfield, California  
February 23, 2010

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**INDEPENDENT REGISTERED AUDITOR'S REPORT  
ON THE SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Cappello Capital Corp.  
Santa Monica, California

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. 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.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in black ink, appearing to read "Burton H. Armstrong", is written over the printed name.

By: Burton H. Armstrong

Bakersfield, California  
February 23, 2010

**CAPPELLO CAPITAL CORP.  
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2009**

Aggregate indebtedness	
Other accounts payable and accrued expenses	<u>\$ 6,079</u>
Net Capital	
Stockholders' equity	\$ 55,508
Deductions:	
Prepaid Expenses	<u>(706)</u>
Net capital	<u>\$ 54,802</u>
Computation of basic net capital requirements	
Minimum net capital required: (6- 2/3% of aggregate indebtedness)	<u>\$ 405</u>
Net Capital Requirement	<u>\$ 5,000</u>
Excess net capital at 1,500 percent	<u>\$ 49,802</u>
Excess net capital at 1,000 percent	<u>\$ 54,194</u>
Ratio: Aggregate indebtedness to net capital	<u>1.0 to 9.0</u>

**CAPPELLO CAPITAL CORP.**

**FINANCIAL REPORT**

**DECEMBER 31, 2009**