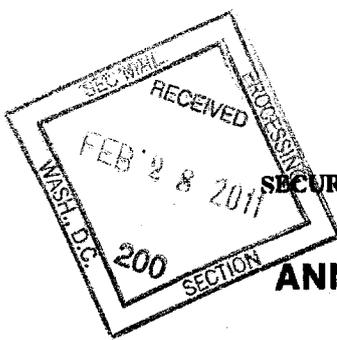


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response... 12.00

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

SEC FILE NUMBER  
8-67502

**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 01/01/2010 AND ENDING 12/31/2010  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: XMS Capital Partners, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1603 Orrington Ave, Ste 725  
(No. and Street)  
Evanston IL 60201  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Ted Brombach / John Spence (847)448-1300  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Neil Friedman C.P.A., P.C. d/b/a Michael Silver & Company  
(Name - if individual, state last, first, middle name)  
5750 Old Orchard Rd, Suite 200, Skokie, IL 60077  
(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)

BB 3/12

OATH OR AFFIRMATION

I, John Spence, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XMS Capital Partners, LLC, as of December 31, 20 10, 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:



Catherine Guisti  
Notary Public

John Spence  
Signature  
MANAGING PARTNER  
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).

OATH OR AFFIRMATION

I, Theodore Brombach, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of XMS Capital Partners, LLC, as of December 31, 20 10, 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:



Catherine Guisti  
Notary Public

Theodore Brombach  
Signature  
Managing Partner  
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.
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# ***XMS CAPITAL PARTNERS, LLC***

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# MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA, RIA  
NEIL FRIEDMAN, CPA  
HARVEY FAYER, CPA  
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JENNIFER A. BARIANT, CPA  
RONALD A. WEISS, CPA  
RONALD E. MIAZGA, CPA, MBA, CVA

## INDEPENDENT AUDITORS' REPORT

To the Members  
XMS Capital Partners, LLC

We have audited the accompanying statements of financial condition of XMS Capital Partners, LLC as of December 31, 2010 and 2009, and the related statements of operations and members' equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 audits provide 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 XMS Capital Partners, LLC as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on page 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The additional information on page 8 is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

Neil Friedman C.P.A., P.C.  
d/b/a Michael Silver & Company  
Certified Public Accountants

Skokie, Illinois  
February 25, 2011

# **XMS CAPITAL PARTNERS, LLC**

## **STATEMENTS OF FINANCIAL CONDITION DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,180,297	\$ 1,257,561
Accounts receivable (less allowance for uncollectible accounts of \$0 and \$24,000, respectively)	88,415	191,700
Prepaid expenses and deposits	<u>57</u>	<u>299</u>
Total Current Assets	1,268,769	1,449,560
<b>Property And Equipment</b>		
Vehicles	148,188	148,188
Office equipment	15,042	15,042
Computer equipment and software	11,375	11,375
Furniture and fixtures	<u>58,432</u>	<u>58,432</u>
	233,037	233,037
Less: accumulated depreciation and amortization	<u>102,154</u>	<u>57,061</u>
Net Property and Equipment	<u>130,883</u>	<u>175,976</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,399,652</u>	<u>\$ 1,625,536</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 52,933	\$ 65,655
Deferred rent	26,428	22,412
Current portion of obligations under capital leases	<u>2,357</u>	<u>1,902</u>
Total Current Liabilities	81,718	89,969
<b>Long-Term Liabilities</b>		
Obligations under capital leases	5,838	8,206
<b>Members' Equity</b>	<u>1,312,096</u>	<u>1,527,361</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 1,399,652</u>	<u>\$ 1,625,536</u>

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

## ***XMS CAPITAL PARTNERS, LLC***

### **STATEMENTS OF OPERATIONS AND MEMBERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Revenue</b>	\$ 1,769,634	\$ 1,745,729
<b>Operating Expenses</b>	<u>1,936,464</u>	<u>1,884,046</u>
Operating Loss	(166,830)	(138,317)
<b>Other Income, Net</b>	<u>41,565</u>	<u>62,897</u>
Net Loss	(125,265)	(75,420)
<b>Members' Equity - Beginning Of Year</b>	1,527,361	3,314,265
<b>Members' Distributions</b>	<u>(90,000)</u>	<u>(1,711,484)</u>
<b>Members' Equity - End Of Year</b>	<u>\$ 1,312,096</u>	<u>\$ 1,527,361</u>

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

# ***XMS CAPITAL PARTNERS, LLC***

## **STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows From Operating Activities:</b>		
Net loss	\$ (125,265)	\$ (75,420)
Adjustments to reconcile net loss to net cash provided by (used by) operating activities:		
Depreciation and amortization	45,093	42,080
Reinvested interest	-	(201)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	103,285	(140,370)
Prepaid expenses and deposits	242	130
Increase (decrease) in:		
Accounts payable	(12,722)	36,505
Deferred rent	4,016	15,892
Total adjustments	<u>139,914</u>	<u>(45,964)</u>
Net Cash Provided By (Used By) Operating Activities	<u>14,649</u>	<u>(121,384)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	-	(31,778)
Redemption of certificate of deposit	<u>-</u>	<u>10,653</u>
Net Cash Provided By (Used By) Investing Activities	<u>-</u>	<u>(21,125)</u>
<b>Cash Flows From Financing Activities:</b>		
Payments on obligations under capital leases	(1,913)	(1,772)
Members' distributions	<u>(90,000)</u>	<u>(1,711,484)</u>
Net Cash Used By Financing Activities	<u>(91,913)</u>	<u>(1,713,256)</u>
<b>Net Decrease In Cash</b>	(77,264)	(1,855,765)
<b>Cash - Beginning Of Year</b>	<u>1,257,561</u>	<u>3,113,326</u>
<b>Cash - End Of Year</b>	<u>\$ 1,180,297</u>	<u>\$ 1,257,561</u>
Cash Paid During The Year For:		
Interest	<u>\$ 1,166</u>	<u>\$ 1,868</u>

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

# ***XMS CAPITAL PARTNERS, LLC***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **1 - Nature Of Business**

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 serves clients in the United States and abroad.

The Company was organized September 22, 2006, pursuant to the Delaware Limited Liability Company Act. Under the Delaware Limited Liability Company Act, neither a member nor a manager of an LLC is personally liable for a debt, obligation, or liability of the LLC arising in a contract, tort, or otherwise.

The Company claims exemption to SEC Rule 15c3-3 under subparagraph k(1), due to its limited business.

### **2 - Summary Of Significant Accounting Policies**

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

Property and equipment are stated at cost. Significant costs of improvements are capitalized and repair costs are charged to expense as incurred. The cost of assets sold, retired, or abandoned and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is included in earnings. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from five to seven years.

No provision for federal taxes on income is required since the members report their proportionate share of taxable income in their respective income tax returns. The Company is subject to certain state taxes.

The Company has adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit is recorded. The Company did not have any uncertain tax positions at December 31, 2010.

The Company recognizes consulting revenue for services as they are provided. Contingent revenues are recorded when earned based on the closing date of the transaction. Accounts receivable are recorded for revenue earned on closed transactions and client reimbursable expenses that have not been collected or are unbilled. Management establishes an allowance for doubtful accounts based on its knowledge of the client, historic loss experience, and current economic conditions. Losses are charged off to the allowance when management deems further collection efforts will not produce additional recoveries.

Management has evaluated subsequent events through February 25, 2011, the date when the financial statements were available to be issued.

# **XMS CAPITAL PARTNERS, LLC**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **3 - Major Customers**

Revenue from four clients amounted to approximately 77% of total revenue for the year ended December 31, 2010. Revenue from one client amounted to approximately 52% of total revenue for the year ended December 31, 2009.

### **4 - Concentration Of Credit Risk**

The Company maintains cash accounts at two financial institutions and has credit risk for balances in excess of federally insured limits.

### **5 - Lease Commitments**

The Company leases a copier in accordance with the terms of a capital lease requiring monthly payments of \$280 through December 2013. The cost of the copier is included in office equipment, and the total accumulated depreciation is noted in the table below. Depreciation on the copier, which is included in depreciation expense, was \$2,376 for each of the years ended December 31, 2010 and 2009.

Assets recorded under capital lease consisted of the following at December 31:

	2010	2009
Copier	\$ 11,880	\$ 11,880
Less: accumulated amortization	4,950	2,574
Net equipment held under capital lease	\$ 6,930	\$ 9,306

The Company leases office space in Evanston, Illinois, under an operating lease agreement commencing September 1, 2008, through February 28, 2014. Rental payments of approximately \$6,880 are payable monthly. The Company is also responsible for its pro-rata share of operating expenses and real estate taxes. The lease requires the Company to maintain as a security deposit an irrevocable letter of credit in the amount of \$174,103. Rent expense was \$140,871 and \$129,353 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under all non-cancelable leases are as follows:

Years ending December 31.	Operating	Capital
2011	\$ 88,397	\$ 3,359
2012	90,703	3,359
2013	93,009	3,359
2014	15,758	-
Total	\$ 287,867	10,077
Less: interest		1,882
Net present value		\$ 8,195

# ***XMS CAPITAL PARTNERS, LLC***

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009**

### **6 - Interest Expense**

Interest expense on all debt and capital leases was \$1,166 and \$1,868 for the years ended December 31, 2010 and 2009, respectively.

### **7 - 401(k) Plan**

The Company sponsors a defined contribution plan in connection with its agreement with a co-employer beginning in 2008 that covers all eligible employees of the Company, as defined in the plan. There were no employer contributions to the plan for each of the years ended December 31, 2010 and 2009.

### **8 - 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 capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). The Company's SEC net capital requirement is the greater of \$5,000 or 6 2/3% of the total aggregate indebtedness, calculated to be \$5,837. As of December 31, 2010, the Company had net capital of \$1,092,240 as calculated in accordance with Rule 15c3-1, which was \$1,086,403 in excess of its SEC required net capital. The Company's net capital ratio was 0.08 to 1.

## **ADDITIONAL INFORMATION**

# **XMS CAPITAL PARTNERS, LLC**

## **COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF THE SECURITIES AND EXCHANGE COMMISSION DECEMBER 31, 2010**

### **Net Capital**

Total members' equity		\$	1,312,096
Deduct members' equity not allowable for net capital			<u>-</u>
Total members' equity qualified for net capital			<u>1,312,096</u>
Add:			
No additional items to add			<u>-</u>
Total capital and allowable subordinated borrowings			1,312,096
Deductions and/or charges:			
Nonallowable assets:			
Fixed assets	130,883		
Other assets	57		
Receivables	88,415		
Haircuts on securities:			
Money market funds	<u>501</u>		
			<u>219,856</u>
<b>Total Net Capital</b>		<b>\$</b>	<b><u>1,092,240</u></b>

### **Aggregate Indebtedness**

Items included in statement of financial condition:			
Capital lease obligations		\$	8,195
Other accounts payable and accrued expenses			<u>79,361</u>
<b>Total Aggregate Indebtedness</b>		<b>\$</b>	<b><u>87,556</u></b>

### **Computation of Basic Net Capital Requirement**

Minimum Net Capital Required		\$	<u>5,837</u>
Excess Net Capital		\$	<u>1,086,403</u>
Ratio: Aggregate Indebtedness to Net Capital			0.08 to 1
Reconciliation with Company's Computation (included in Part II of Form X-17a-5 as of December 31, 2010)			
Net Capital, as reported in Company's Part II (unaudited) FOCUS report		\$	<u>1,092,240</u>
No audit adjustments			
Net Capital per above		\$	<u>1,092,240</u>

See Independent Auditors' Report.



# MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA, RIA  
NEIL FRIEDMAN, CPA  
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RONALD E. MIAZGA, CPA, MBA, CVA

## Board of Members XMS Capital Partners, LLC

In planning and performing our audit of the financial statements of XMS Capital Partners, LLC (Company), as of and for the year ended December 31, 2010, in accordance with U.S. generally accepted auditing standards, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purposes 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 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 U.S. 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 and correct

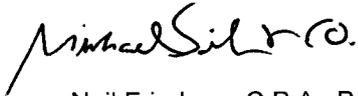
misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the board of members, management, the SEC, FINRA, 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.

  
Neil Friedman C.P.A., P.C.  
d/b/a Michael Silver & Company  
Certified Public Accountants

Skokie, Illinois  
February 25, 2011

***XMS CAPITAL PARTNERS, LLC***

**REPORT FOR THE YEAR ENDED  
DECEMBER 31, 2010**

**XMS CAPITAL PARTNERS, LLC**

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# MICHAEL SILVER & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

EARL E. HOLTZMAN, CPA, RIA  
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## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Members  
XMS Capital Partners, LLC

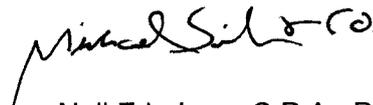
In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2010, which were agreed to by XMS Capital Partners, LLC, and the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority, Inc. (FINRA) and SIPC, solely to assist you and the other specified parties in evaluating XMS Capital Partners, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). XMS Capital Partners, LLC's management is responsible for XMS Capital Partners, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with the 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 listed assessment payments in Form SIPC-7 with respective cash disbursement records entries as recorded in QuickBooks noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers provided by you, including reports from QuickBooks, noting no differences;

4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers provided by you, including reports from QuickBooks, supporting the adjustments, noting no differences; and
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 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 compliance. 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 the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

  
Neil Friedman C.P.A., P.C.  
d/b/a Michael Silver & Company  
Certified Public Accountants

Skokie, Illinois  
February 25, 2011

**SIPC-7**

(31-REV 5/10)

SECURITIES INVESTOR PROTECTION CORPORATION

P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

General Assessment Reconciliation

**SIPC-7**

(31-REV 5/10)

For the fiscal year ended December 31, 2010  
(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:

XMS Capital Partners, LLC  
1603 Orrington Ave.  
Suite 725  
Evanston, IL 60201  
CRD # 142871

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.

Ted Brombach (847) 448-1312

- 2. A. General Assessment [item 2e from page 2 (not less than \$150 minimum)] \$ 1,967
- B. Less payment made with SIPC-6 filed (exclude interest) ( 1,109 )
- 7-200-10  
    Date Paid
- C. Less prior overpayment applied (        )
- D. Assessment balance due or (overpayment) 858
- E. Interest computed on late payment (see instruction E) for        days at 20% per annum
- F. Total assessment balance and interest due (or overpayment carried forward) \$
- G. PAID WITH THIS FORM:  
    Check enclosed, payable to SIPC 858  
    Total (must be same as F above) \$
- H. 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.

XMS Capital Partners, LLC  
(Name of Corporation, Partnership or other organization)  
[Signature]  
(Authorized Signature)  
Managing Partner  
(Title)

Dated the 25 day of February, 2011.

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 01-01, 2010  
and ending 12-31, 2010  
Eliminate cents

Item No.

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

\$ 1,813,164

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):

197,041

828,234

(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. \$ 1,166

(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

1,166

1,026,441

786,723

\$ 1,967

2d. SIPC Net Operating Revenues

2e. General Assessment @ .0025

(to page 1 but not less than \$150 minimum)

***XMS CAPITAL PARTNERS, LLC***

**REPORT FOR THE YEARS ENDED  
DECEMBER 31, 2010 AND 2009**