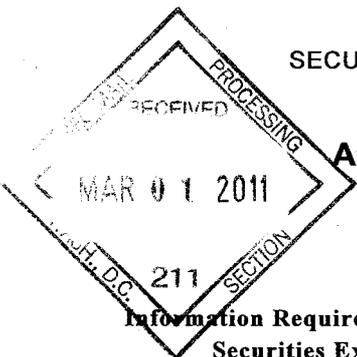


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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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 111**

SEC FILE NUMBER  
~~00000~~

8-66565

**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 01/01/10 AND ENDING 12/31/10  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
**Chessicap Securities, Inc.**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**7911 Sherwood Avenue**

(No. and Street)

**Towson**

**MD**

**21204**

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Douglas Schmidt (301) 469-3181**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**Rubio CPA, PC**

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

**900 Circle 75 Parkway SE, Suite 1100**

(Address)

**Atlanta**

(City)

**Georgia**

(State)

**30339**

(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)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

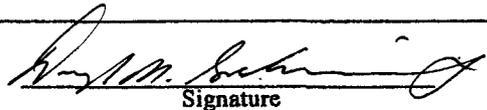
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OATH OR AFFIRMATION

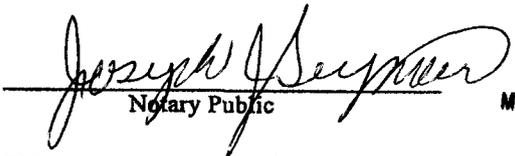
I, Douglas Schmidt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Chessicap Securities, Inc., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature

CEO + Managing Director  
Title

JOSEPH SEYMOUR  
NOTARY PUBLIC  
BALTIMORE CITY COUNTY  
MARYLAND  
MY COMMISSION EXPIRES 05/10/2014

  
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 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 15c3-3 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 240.17z-5(e)(3).

**CHESSIECAP SECURITIES, INC.**  
**Financial Statements**  
**December 31, 2010**  
**With**  
**Independent Auditor's Report**

## INDEPENDENT AUDITOR'S REPORT

To the Stockholder  
Chessiecap Securities, Inc.

We have audited the accompanying balance sheet of Chessiecap Securities, Inc., as of December 31, 2010 and the related statements of operations, 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 and 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 Chessiecap Securities, Inc., as of December 31, 2010 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 in the Schedules I, II and III 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.

January 28, 2011  
Atlanta, Georgia



RUBIO CPA, PC

**CHESSIECAP SECURITIES, INC.**  
**BALANCE SHEET**  
December 31, 2010

ASSETS

|                                   | <u>2010</u>          |
|-----------------------------------|----------------------|
| Cash and cash equivalents         | \$ 15,626            |
| Accounts receivable               | 3,016                |
| Prepaid expenses and other assets | <u>6,899</u>         |
| <br>Total Assets                  | <br><u>\$ 25,541</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable \$ 3,248

Total Liabilities 3,248

STOCKHOLDER'S EQUITY

Common stock, \$.01 par value; 5,000 shares  
authorized; 1,000 shares issued and outstanding 10

Paid-in capital 114,728

Retained earnings (deficit) (92,445)

Total Stockholder's Equity 22,293

Total Liabilities and Stockholder's Equity \$ 25,541

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

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2010

|                                    | <u>2010</u>       |
|------------------------------------|-------------------|
| REVENUES                           |                   |
| Investment banking                 | <u>\$ 166,799</u> |
| <br>                               |                   |
| EXPENSES                           |                   |
| Employee compensation and benefits | 86,140            |
| Communications                     | 26,443            |
| Occupancy                          | 4,229             |
| Other operating expenses           | <u>54,591</u>     |
| <br>                               |                   |
| Total expenses                     | <u>171,403</u>    |
| <br>                               |                   |
| NET LOSS BEFORE INCOME TAXES       | <u>(4,604)</u>    |
| <br>                               |                   |
| INCOME TAXES                       | <u>-</u>          |
| <br>                               |                   |
| NET LOSS                           | <u>\$ (4,604)</u> |

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

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2010

|   | 2010           |
|---|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                      |                |
| Net loss  | \$ (4,604)     |
| Adjustments to reconcile net loss to net cash used in operations: |                |
| Increase in accounts receivable                                   | (2,631)        |
| Decrease in income tax refund                                     | 5,100          |
| Decrease in accounts payable                                      | (967)          |
| Decrease in prepaid expenses and other assets                     | 830            |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>                      | <b>(2,272)</b> |
| <br><b>CASH FLOW FROM FINANCING ACTIVITIES:</b>                   |                |
| Capital contributions   | 4,000          |
| Distribution/dividend to Parent                                   | (1,765)        |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                  | <b>2,235</b>   |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                  | <b>(37)</b>    |
| <br><b>CASH AND CASH EQUIVALENTS BALANCE:</b>                     |                |
| Beginning of year   | 15,663         |
| End of year   | \$ 15,626      |

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

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
For the Year Ended December 31, 2010

|                            | <u>Common<br/>Stock</u> | <u>Paid-In<br/>Capital</u> | <u>Retained<br/>(Deficit)</u> | <u>Total</u>     |
|----------------------------|-------------------------|----------------------------|-------------------------------|------------------|
| Balance, December 31, 2009 | \$ 10                   | \$ 110,728                 | \$ (86,076)                   | \$ 24,662        |
| Capital contribution       |                         | 4,000                      |                               | 4,000            |
| Distribution/dividend      |                         |                            | (1,765)                       | (1,765)          |
| Net loss                   | _____                   | _____                      | (4,604)                       | (4,604)          |
| Balance, December 31, 2010 | <u>\$ 10</u>            | <u>\$ 114,728</u>          | <u>\$ (92,445)</u>            | <u>\$ 22,293</u> |

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

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business: Chessiecap Securities, Inc. (the "Company"), a Maryland corporation, is a securities broker-dealer registered with the Securities and Exchange Commission and the Financial Industry Regulatory Authority.

The Company was organized in April 2004 and is a wholly-owned subsidiary of Chessiecap, Inc. ("Parent").

The Company's customers are located primarily in the mid-Atlantic states.

Cash and Cash Equivalents: The Company considers all cash and money market instruments with a maturity of ninety days or less to be cash and cash equivalents.

The Company maintains its deposits in high credit quality financial institutions. Balances at times may exceed federally insured limits.

Accounts Receivable: The Company provides for doubtful accounts when current market conditions indicate that collection of an account is doubtful.

Income Taxes: The Company is included in the consolidated federal income tax return filed by its Parent. Federal and state income taxes are calculated as if the companies filed on a separate return basis.

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the assets and liabilities are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period in which the enactment date is included.

Effective January 1, 2011, the Company's stockholder intends to elect S corporation status whereby the income or losses of the Company flow through to and are taxable to the stockholder.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Date of Management's Review: Subsequent events were evaluated through January 28, 2011 which is the date the financial statements were available to be issued.

Investment Banking Revenues: Investment banking revenues include fees from the private placement of securities offerings in which the Company acts as an agent.

NOTE B — NET CAPITAL

The Company, as a registered broker dealer is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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. At December 31, 2010, the Company had net capital of \$12,378, which was \$7,378 in excess of its required net capital of \$5,000 and its ratio of aggregate indebtedness to net capital was .26 to 1.0.

NOTE C – CONCENTRATIONS

Approximately 74% of the investment banking revenues were earned from three customers during 2010.

NOTE D – INCOME TAXES

The provision for income taxes is summarized as follows:

|                            |           |          |
|----------------------------|-----------|----------|
| Current income tax benefit | \$        | -        |
| Deferred income taxes      |           | -        |
| Income tax benefit         | <u>\$</u> | <u>-</u> |

Deferred taxes arise from the use of the cash basis for income tax reporting purposes.

The Company's income tax expense does not differ significantly from the amounts computed by applying the combined federal and state income tax rates to the loss before income taxes.

Deferred tax assets and liabilities at December 31, 2010 were not significant.

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2010

NOTE D – INCOME TAXES (CONTINUED)

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement 109. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken or expected to be taken on a tax return including positions that the organization is exempt from income taxes or not subject to income taxes on unrelated business income.

The Company presently recognizes income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax benefits by applying FASB statement No. 5, Accounting for Contingencies. The Company has adopted for 2009 the application of Interpretation 48 in accordance with FASB Staff Position (FSP) FIN 48-3. The impact of FIN 48 on financial position and results of operations is not considered to be material.

Effective January 1, 2011 the Company's stockholder intends to elect S corporation status whereby the income or losses of the Company flow through to and are taxable to the stockholder.

SUPPLEMENTAL INFORMATION

**SCHEDULE I**  
**CHESSIECAP SECURITIES, INC.**

**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION ACT OF 1934**  
**AS OF DECEMBER 31, 2010**

NET CAPITAL:

|  |                    |
|--|--------------------|
| Total stockholder's equity                     | <u>\$ 22,293</u>   |
| Less nonallowable assets:                      |                    |
| Accounts receivable                            | (3,016)            |
| Prepaid expenses and other assets              | <u>(6,899)</u>     |
|  | <u>(9,915)</u>     |
| Net capital before haircuts                    | 12,378             |
| Less haircuts                                  | <u>        -</u>   |
| Net capital                                    | 12,378             |
| Minimum net capital required                   | <u>    5,000</u>   |
| Excess net capital                             | <u>\$    7,378</u> |
| Aggregate indebtedness                         | <u>\$    3,248</u> |
| Net capital based on aggregate indebtedness    | <u>\$    216</u>   |
| Ratio of aggregate indebtedness to net capital | <u>.26 to 1.0</u>  |

RECONCILIATION WITH COMPANY'S COMPUTATION OF NET CAPITAL INCLUDED  
IN PART IIA OF FORM X-17A-5 AS OF DECEMBER 31, 2010

There is no significant difference between net capital as reported in Part A of the Form X-17a-5 and net capital as reported above.

**CHESSIECAP SECURITIES, INC.**

**SCHEDULE II  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2010**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, pursuant to paragraph (k)(2)(i) of the rule.

**SCHEDULE III  
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2010**

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, pursuant to paragraph (k)(2)(i) of the rule.

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY RULE 17a-5

To the Stockholder  
Chessiecap Securities, Inc.

In planning and performing our audit of the financial statements of Chessiecap Securities, Inc., for the year ended December 31, 2010, we considered its internal control structure, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including test of compliance with such practices and procedures) followed by Chessiecap Securities, Inc., that we considered relevant to the objective stated in Rule 17a-5(g). We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedure for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company related to the following: (1) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (2) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 commission's above-mentioned objectives. Two of the objectives of an internal control structure 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 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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 the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure 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 Commission 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 were adequate at December 31, 2010 to meet the Commission's objectives.

This report recognizes that it is not practicable in an organization the size of the Company to achieve all the division of duties and cross-checks generally included in a system of internal accounting control, and that alternatively, greater reliance must be placed on surveillance by management.

Page 3

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and should not be used for any other purpose.

January 28, 2011  
Atlanta, Georgia

A handwritten signature in black ink that reads "Rubio CPA, PC". The signature is written in a cursive, flowing style.

RUBIO CPA, PC