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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART 111**

Washington DC  
410

SEC FILE NUMBER  
~~67375~~

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

8-666505

REPORT FOR THE PERIOD BEGINNING 01/01/18 AND ENDING 12/31/18  
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**

**(410) 952-2789**

(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)

**2727 Paces Ferry Road SE, Ste 2-1680**

(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)

SEC 1410 (06-02)

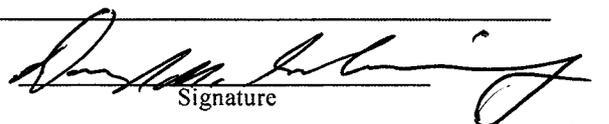
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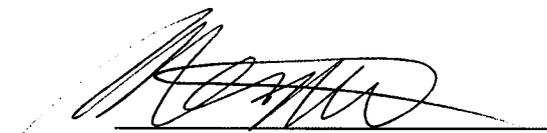
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## OATH OR AFFIRMATION

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, 2018, 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 + Executive Representative  
Title

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

MEISHA PITTMAN  
NOTARY PUBLIC  
BALTIMORE COUNTY  
MARYLAND  
My Commission Expires 08-14-2021

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).

**REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder of  
Chessiecap Securities, Inc.

Opinion on the Financial Statements

We have audited the accompanying statement of financial condition of Chessiecap Securities, Inc. (the "Company") as of December 31, 2018, the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, 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.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement to the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis of our opinion.

Supplemental Information

The information contained in Schedules I, II and III has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental information is the responsibility of the Company's management. Our audit procedures included determining whether the information in Schedules I, II and III reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the accompanying schedules. In forming our opinion on the accompanying

schedules, we evaluated whether the supplemental information, including its form and content, is presented in conformity with 17 C.F.R. §240.17a-5. In our opinion, the aforementioned supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have served as the Company's auditor since 2003.

March 01, 2019  
Atlanta, Georgia

A handwritten signature in black ink, appearing to read "Rubio CPA, PC". The signature is written in a cursive, flowing style.

Rubio CPA, PC

**CHESSIECAP SECURITIES, INC.**  
**Financial Statements**  
**December 31, 2018**  
**With**  
**Report of Independent Registered**  
**Public Accounting Firm**

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
December 31, 2018

ASSETS

Cash	\$ 12,408
Accounts receivable	28,851
Prepaid expenses and other assets	<u>7,337</u>
Total Assets	<u>\$ 48,596</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ <u>469</u>
Total Liabilities	<u>469</u>

STOCKHOLDER'S EQUITY

Common stock, \$.01 par value; 5,000 shares authorized; 1,000 shares issued and outstanding	10
Paid-in capital	124,878
Retained earnings (deficit)	<u>(76,761)</u>
Total Stockholder's Equity	<u>48,127</u>

Total Liabilities and Stockholder's Equity	<u>\$ 48,596</u>
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The accompanying notes are an integral part of these financial statements.

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
For the Year Ended December 31, 2018

REVENUES

Investment banking	\$ <u>704,152</u>
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EXPENSES

Employee compensation and benefits	618,798
Technology and communications	10,218
Occupancy	4,550
Other operating expenses	<u>67,108</u>

Total expenses	<u>700,674</u>
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NET INCOME

\$ <u><u>3,478</u></u>
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The accompanying notes are an integral part of these financial statements.

**CHESSIECAP SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2018

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Net income	\$ 3,478
Adjustments to reconcile net income to net cash used by operations:	
Increase in accounts receivable	(19,457)
Increase in prepaid expenses and other assets	(3,469)
Decrease in accounts payable and other current liabilities	<u>(7,770)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(27,218)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Contributed Capital	5,150
Distributions	<u>(10,000)</u>
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<b>(4,850)</b>
<b>NET DECREASE IN CASH</b>	<b>(32,068)</b>
<b>CASH BALANCE:</b>	
Beginning of year	<u>44,476</u>
End of year	<u>\$ 12,408</u>

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, 2018

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained (Deficit)</u>	<u>Total</u>
Balance, December 31, 2017	\$ 10	\$ 119,728	\$ (70,239)	\$ 49,499
Capital contribution		5,150		5,150
Distribution			(10,000)	(10,000)
Net income	<u>          </u>	<u>          </u>	<u>3,478</u>	<u>3,478</u>
Balance, December 31, 2018	<u>\$ 10</u>	<u>\$ 124,878</u>	<u>\$ (76,761)</u>	<u>\$ 48,127</u>

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

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

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 United States.

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

Revenue: The Financial Accounting Standards Board (FASB) has issued a comprehensive new revenue recognition standard that supersedes most existing revenue recognition guidance under GAAP (FASB Accounting Standards Codification 606). The Company adopted this standard effective January 1, 2018.

The standard’s core principle is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 prescribes a five-step process to accomplish this core principle, including:

- Identification of the contract with the customer;
- Identification of the performance obligation(s) under the contract;
- Determination of transaction price;
- Allocation of the transaction price to the identified performance obligation(s); and
- Recognition of revenue as (or when) an entity satisfies the identified performance obligation(s).

The Company recognizes success fee revenue upon completion of a success fee-based transaction. In addition, retainer revenue is recognized when the Company satisfies its performance obligations by transferring the promised services to its customers. The Company’s performance obligations are satisfied at a point in time when the Company has determined that the customer obtains control over the promised services. The amount of retainer revenue recognized upon the fulfillment of the aforementioned performance obligations without the consummation of a success fee-based transaction was \$297,115 which is included in investment banking revenue in the accompanying Statement of Operations.

Application of the standard in 2018 using the modified retrospective approach had no effect on reported financial position, results of operations or related disclosures.

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 S corporation federal income tax return filed by its Parent, pursuant to an election to be a Qualified S corporation subsidiary. Therefore, the income or losses of the Company flow through to its Parent and no income taxes are recorded in the accompanying financial statements.

The Company has adopted the provisions of FASB Accounting Standards Codification 740-10, Accounting for Uncertainty in Income Taxes. Under ASC 740-10, the Company is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained if the taxing authority examines the respective position. A tax position includes an entity's status, including its status as an S corporation, and the decision not to file a tax return. The Company has evaluated each of its tax positions and has determined that no provision or liability for income taxes is necessary.

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.

Date of Management's Review: Subsequent events were evaluated through the date the financial statements were issued.

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, 2018, the Company had net capital of \$11,938, which was \$6,938 in excess of its required net capital of \$5,000 and its Ratio of aggregate indebtedness to net capital was .04 to 1.0.

NOTE C – CONCENTRATIONS

Approximately 81% of the investment banking revenues were earned from five clients during 2018.

**CHESSIECAP SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2018

NOTE D – CONTINGENCIES

The Company is subject to litigation in the normal course of business. The Company has no litigation in progress at December 31, 2018.

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, 2018**

NET CAPITAL:

Total stockholder's equity	<u>\$ 48,127</u>
Less non-allowable assets:	
Accounts receivable	28,852
Prepaid expenses and other assets	<u>7,337</u>
	<u>(36,189)</u>
Net capital before haircuts	11,938
Less haircuts	<u>-</u>
Net capital	11,938
Minimum net capital required	<u>5,000</u>
Excess net capital	<u>\$ 6,938</u>
Aggregate indebtedness	<u>\$ 469</u>
Minimum net capital required on aggregate indebtedness	<u>\$ 31</u>
Ratio of aggregate indebtedness to net capital	<u>.04 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, 2018

There is no significant difference between net capital as reported in Part IIA 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, 2018**

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, 2018**

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.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder of  
Chessiecap Securities, Inc.

We have reviewed management's statements, included in the accompanying Broker Dealers Annual Exemption Report in which (1) Chessiecap Securities, Inc. identified the following provisions of 17 C.F.R. § 15c3-3(k) under which Chessiecap Securities, Inc. claimed an exemption from 17 C.F.R. § 240.15c3-3: (k)(2)(i) (the "exemption provisions"); and, (2) Chessiecap Securities, Inc. stated that Chessiecap Securities, Inc. met the identified exemption provisions throughout the most recent fiscal year without exception. Chessiecap Securities, Inc.'s management is responsible for compliance with the exemption provisions and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about Chessiecap Securities, Inc.'s compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i), of Rule 15c3-3 under the Securities Exchange Act of 1934.

March 01, 2019  
Atlanta, GA



Rubio CPA, PC



Chessiecap

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Chessiecap Securities, Inc.  
3 Bethesda Metro Center  
Suite 700  
Bethesda, Maryland 20814

## **BROKER DEALERS ANNUAL EXEMPTION REPORT**

Chessiecap Securities, Inc. claims an exemption from the provisions of Rule 15c3-3 under the Securities and Exchange Act of 1934, pursuant to paragraph (k)(2)(i) of the Rule.

Chessiecap Securities, Inc. met the aforementioned exemption provisions throughout the most recent year ended December 31, 2018 without exception.

Douglas M. Schmidt  
Partner and Executive Representative  
January 8, 2019