

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71049 / December 11, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15640

In the Matter of:

A.L. Waters Capital, LLC,

Respondent.

**ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against A.L. Waters Capital, LLC (“Waters Capital” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent consents to the Commission’s jurisdiction over it and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

1. A.L. Waters Capital, LLC was, at all relevant times, a Massachusetts limited liability company based in Braintree, Massachusetts. It was registered with the Commission as a broker-dealer beginning in 2005. It was formed as a limited liability company in 2005.

2. Arnett L. Waters, age 63, was a resident of Milton, Massachusetts. At all relevant times, he was the president and chief executive officer of Waters Capital. Arnett Waters was a registered representative with Waters Capital from April 2005 through March 9, 2012, when he was permanently barred from association with any FINRA member for failing to provide testimony requested in FINRA's investigation. In 1993, Waters was censured and barred for two years by the New York Stock Exchange for forging a document to secure a bank loan and refusing to comply with the Exchange's requests for information and testimony. On December 12, 2012, Waters was barred by the Commission pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, based his criminal conviction for criminal contempt of the asset freeze order entered in a civil injunctive action brought by the Commission on May 1, 2012, against him, Waters Capital, and a second entity operated by Waters.

3. On December 4, 2013, a final judgment was entered by consent against Waters Capital, permanently enjoining it from future violations of Section 17(a) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, in the civil action entitled Securities and Exchange Commission v. A.L. Waters Capital, LLC, et al., Civil Action Number 12-CV-10783, in the United States District Court for the District of Massachusetts.

4. The Commission's complaint alleged the following facts: From at least 2009 through at least April 2012, Defendant Arnett Waters engaged in a scheme to misappropriate at least \$780,000 from at least 9 investors by falsely representing that he would invest their funds in securities through Defendant Waters Capital, a Massachusetts-based limited liability company formed by Waters. Waters and Waters Capital purported to create various private investment "funds" and offered them to potential investors, creating marketing materials and agreements related to these purported funds and distributing them to investors. All of these materials indicated that individuals who bought interests in these funds would be invested in business partnerships holding portfolios of securities and other investment products. Defendants accepted investors' money under the pretense that their money would be invested in the portfolios described in the fund documents. Instead, investors' money was spent on the Waters' personal expenses. Waters, and through him, Waters Capital, made multiple misrepresentations to investors, and to Financial Industry Regulatory Authority and Commission staff, to conceal the fact that investor money had been misappropriated in a fraudulent scheme.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Waters Capital's Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange that Respondent A.L. Waters Capital, LLC, be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

By the Commission.

Elizabeth M. Murphy
Secretary