SEC
Mail Processing
Section

MAR 02 2009

Washington, DC
101

UNIT
SECURITIES AND E
Washington, D.C. 20549

09058885

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response.....12.00

SEC FILE NUMBER
8-66917

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

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 01/01/08 (MM/DD/YY) AND ENDING 12/31/08 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: A.L. Waters Capital, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

50 Braintree Hill Office Park, Suite 106
(No. and Street)

Braintree	MA	02184
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Janet Waters 781-380-8880
(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Donellon, Orcutt, Patch & Stallard, P.C.
(Name – *if individual, state last, first, middle name*)

96 Broadway, P.O. Box 350, Taunton	MA	02780
(Address) (City)	(State)	(Zip Code)

CHECK ONE:

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

PROCESSED
10 APR 2009
THOMSON
REUTERS

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)

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.

OATH OR AFFIRMATION

I, Peter Roche, CPA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of A.L. Waters Capital, LLC, as of December 31, 2008, 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:

N/A

CHERYL ANN MARKO
NOTARY PUBLIC
COMMONWEALTH OF MASSACHUSETTS
MY COMMISSION EXPIRES
OCTOBER 25, 2013

Signature

Title

Cheryl Ann Marko
Notary Public February 17, 2009

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).*

DONELLON, ORCUTT, PATCH & STALLARD PC

Certified Public Accountants

A.L. WATERS CAPITAL, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

96 Broadway, Taunton, MA 02780 Ph: 508.880.3334 Fx: 508.823.4000 www.dopscpa.com

467 E. Falmouth Highway, E. Falmouth, MA 02536 Ph: 508.457.6200

Mailing Address: P.O. Box 350, Taunton, MA 02780

A.L. WATERS CAPITAL, LLC

INDEX TO FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

EXHIBIT	DESCRIPTION	PAGE(S)
	INDEPENDENT AUDITORS' REPORT	1 & 2
A	STATEMENTS OF FINANCIAL CONDITION	3
B	STATEMENTS OF INCOME (LOSS)	4
C	STATEMENTS OF MEMBERS' EQUITY	5
D	STATEMENTS OF CASH FLOWS	6
	NOTES TO FINANCIAL STATEMENTS	7 & 8
A - 1	COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO SEC RULE 15c3-1	9
A - 2	REPORT ON INTERNAL CONTROL	10 - 12

DONELLON, ORCUTT, PATCH & STALLARD PC

Certified Public Accountants

To the Members of

A.L. Waters Capital, LLC:

We have audited the accompanying Statements of Financial Condition of A.L. Waters Capital, LLC, as of December 31, 2008 and 2007, and the related Statements of Income, changes in 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. 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 A.L. Waters Capital, LLC as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

96 Broadway, Taunton, MA 02780 Ph: 508.880.3334 Fx: 508.823.4000 www.dopscpa.com

467 E. Falmouth Highway, E. Falmouth, MA 02536 Ph: 508.457.6200

Mailing Address: P.O. Box 350, Taunton, MA 02780

A.L. Waters Capital, LLC (Continued):

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Exhibits A-1 and A-2, 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 under the Securities Exchange Act of 1934. 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.

Donellon, Orcutt, Patch & Stallard, P.C.

Taunton, Massachusetts

February 11, 2009

A.L. WATERS CAPITAL, LLC

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2008 AND 2007

ASSETS

	2008	2007
CURRENT ASSETS		
Cash	$12,721	$21,986
Prepaid expenses	773	915
TOTAL ASSETS	$13,494	$22,901

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES		
Accrued expenses	$ 4,000	$ 3,750
Due to affiliate	-	10,000
TOTAL CURRENT LIABILITIES	4,000	13,750
MEMBERS' EQUITY (Exhibit C)	9,494	9,151
TOTAL LIABILITIES AND MEMBERS' EQUITY	$13,494	$22,901

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC

STATEMENTS OF INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
ADVISORY INCOME	$ -	$ -
OPERATING EXPENSES		
Professional fees	15,740	15,750
Registration & regulatory fees	7,097	12,577
Telephone	900	-
TOTAL OPERATING EXPENSES	23,737	28,327
OPERATING LOSS	(23,737)	(28,327)
GENERAL AND ADMINISTRATIVE EXPENSES		
Insurance	-	573
LOSS BEFORE OTHER INCOME	(23,737)	(28,900)
OTHER INCOME		
Fee reimbursement	-	35,000
NET INCOME (LOSS)	$(23,737)	$ 6,100

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC

STATEMENTS OF MEMBERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	TOTAL MEMBERS' EQUITY
December 31, 2006	$ 13,051
2007 Net income	6,100
2007 Distributions	(10,000)
December 31, 2007	9,151
2008 Net income (loss)	(23,737)
2008 Capital Contributions	24,080
December 31, 2008	$ 9,494

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
OPERATING ACTIVITIES:		
Net income (loss)	$(23,737)	$ 6,100
Adjustments to reconcile net income (loss) to net cash provided by (applied to) operating activities:		
Change in current assets and liabilities		
Decrease in prepaid expenses	142	1,470
(Decrease) Increase in accrued expenses	250	1,250
NET CASH PROVIDED BY (APPLIED TO) OPERATING ACTIVITIES	(23,345)	8,820
FINANCING ACTIVITIES:		
Member contribution (distribution)	24,080	(10,000)
Increase (Decrease) in due from affiliate	(10,000)	10,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,080	-
NET INCREASE (DECREASE) IN CASH	(9,265)	8,820
CASH - BEGINNING	21,986	13,166
CASH - ENDING	$ 12,721	$ 21,986

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 does business in the New England Region.

ACCOUNTING ESTIMATES

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

INCOME TAXES

The Company is taxed under the Internal Revenue Code as a Partnership. In lieu of corporate income taxes, the members of a Partnership are taxed on their proportionate share of the Partnership's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements.

NOTE 2 - 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. At December 31, 2008 and 2007, the Company had net capital of $8,721 and $8,236, respectively, which was in excess of its required net capital of $5,000. The Company's net capital ratio was 0.4:1 and 1.6:1 at December 31, 2008 and December 31, 2007, respectively.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Company received an advance from an affiliate during the year ended December 31, 2007 in the amount of $10,000. No interest was charged on the note. The note was repaid as of December 31, 2008.

A.L. WATERS CAPITAL, LLC

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS
PURSUANT TO SEC RULE 15c3-1

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
NET CAPITAL		
Members' equity	$ 9,494	$ 9,151
DEDUCTIONS FOR NON-ALLOWED ASSETS		
Prepaid expenses	(773)	(915)
NET CAPITAL	$ 8,721	$ 8,236
TOTAL AGGREGATE INDEBTEDNESS	$ 4,000	$ 13,750
MINIMUM NET CAPITAL REQUIRED	$ 5,000	$ 5,000
EXCESS NET CAPITAL	$ 3,721	$ 3,236
RATIO: Aggregate indebtedness to Net Capital	0.46 to 1	1.67 to 1

There were no differences between the unaudited net capital computation and net capital reported above.

The Company has complied with the exemptive requirements of SEC Rule 15c3-3(k)(2)(i) and did not maintain possession or control of any customer funds or securities as of December 31, 2008 and December 31, 2007.

DONELLON, ORCUTT, PATCH & STALLARD PC

Certified Public Accountants

To the Members of

A.L. Waters Capital, LLC

In planning and performing our audit of the financial statements of A.L. Waters Capital, LLC, as of and for the year ended December 31, 2008 in accordance with auditing standards generally accepted in the United States of America, we considered the Company'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 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 and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e). 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.

3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

96 Broadway, Taunton, MA 02780 Ph: 508.880.3334 Fx: 508.823.4000 www.dopscpa.com

467 E. Falmouth Highway, E. Falmouth, MA 02536 Ph: 508.457.6200

Mailing Address: P.O. Box 350, Taunton, MA 02780

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 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 of 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 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 previously.

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, 2008, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, Financial Industry Regulatory Authority (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.

Donellon, Orcutt, Patch & Stallard P.C.

Taunton, Massachusetts

February 11, 2009