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

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

SEC  
Mail Processing  
Section

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FACING PAGE Washington, DC  
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 07/01/08 AND ENDING 06/30/09  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

DLS Capital Partners, Inc.

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

4345 Park Lane

(No. and Street)

Dallas

(City)

TX

(State)

OFFICIAL USE ONLY

FIRM ID. NO.

75220

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

CF & Co., L.L.P.

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

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(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).

AD  
9/17

OATH OR AFFIRMATION

I, Neil Dorflinger, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of DLS Capital Partners, Inc., as of June 30, 2009, 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:

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

*Neil Dorflinger*  
\_\_\_\_\_  
Signature

*Director*  
\_\_\_\_\_  
Title



\_\_\_\_\_  
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 Cash Flows
- (e) Statement of Changes in Stockholders' Equity or partners' or Sole Proprietor's 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.
- (o) Independent auditor's report on internal control

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

DLS CAPITAL PARTNERS, INC.  
REPORT PURSUANT TO RULE 17a-5(d)  
YEAR ENDED  
JUNE 30, 2009

DLS CAPITAL PARTNERS, INC.

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*CF & Co., L.L.P.*  
CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
DLS Capital Partners, Inc.

We have audited the accompanying statement of financial condition of DLS Capital Partners, Inc., as of June 30, 2009, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year 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 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 DLS Capital Partners, Inc., as of June 30, 2009 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Schedules I and II 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.

*CF & Co., L.L.P.*  
CF & Co., L.L.P.

Dallas, Texas  
August 17, 2009

DLS CAPITAL PARTNERS, INC.  
Statement of Financial Condition  
June 30, 2009

ASSETS

Receivable from broker-dealers and clearing organizations	\$ 1,099,917
Securities owned	2,649,156
Property and equipment, net of accumulated depreciation of \$375	10,127
Other assets	<u>405</u>
	<u>\$ 3,759,605</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities	
Accounts payable	\$ 589
Payable to clearing broker	2,327,436
Securities sold, not yet purchased	<u>353,430</u>
	<u>2,681,455</u>
Stockholders' equity	
Common stock - \$.01 par value, 10,000 shares authorized, 1,000 shares issued and outstanding	10
Additional paid-in capital	853,672
Retained earnings	<u>224,468</u>
Total stockholders' equity	<u>1,078,150</u>
	<u>\$ 3,759,605</u>

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

DLS CAPITAL PARTNERS, INC.  
Statement of Income  
For the Year Ended June 30, 2009

**Revenues**

Gains or losses on firm securities trading accounts	\$ 2,105,404
Securities commissions	13,329
Interest income	391,557
Other income	<u>2,783</u>
	<u>2,513,073</u>

**Expenses**

Compensation and benefits	2,143,838
Commissions and clearance paid to all other brokers	48,374
Interest expense	176,454
Communications	10,445
Occupancy and equipment costs	35,375
Regulatory fees and expenses	14,564
Other expenses	<u>160,006</u>
	<u>2,589,056</u>

Net income (loss) before income taxes	(75,983)
(Provision) benefit for federal income tax	<u>-0-</u>
Net income (loss)	<u>\$ (75,983)</u>

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

DLS CAPITAL PARTNERS, INC.  
Statement of Changes in Stockholders' Equity  
For the Year Ended June 30, 2009

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at June 30, 2008	\$ 10	\$ 853,672	\$ 300,451	\$ 1,154,133
Net income (loss)	_____	_____	(75,983)	(75,983)
Balances at June 30, 2009	<u>\$ 10</u>	<u>\$ 853,672</u>	<u>\$ 224,468</u>	<u>\$ 1,078,150</u>

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

DLS CAPITAL PARTNERS, INC.  
Statement of Changes in Liabilities Subordinated  
to Claims of General Creditors  
For the Year Ended June 30, 2009

Balance at June 30, 2008	\$	-0-
Increases		-0-
Decreases		<u>-0-</u>
Balance at June 30, 2009	\$	<u>-0-</u>

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

DLS CAPITAL PARTNERS, INC.  
Statement of Cash Flows  
For the Year Ended June 30, 2009

**Cash flows from operating activities**

Net income (loss)	\$ (75,983)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	375
Change in assets and liabilities:	
Decrease in receivable from broker-dealers and clearing organizations	914,092
Increase in securities owned	(1,434,969)
Increase in other assets	(321)
Increase in accounts payable	177
Decrease in securities sold, not yet purchased	(982,080)
Increase in payable to clearing broker	<u>1,589,211</u>
Net cash provided (used) by operating activities	<u>10,502</u>

**Cash flows from investing activities**

Purchase of property and equipment	<u>(10,502)</u>
Net cash provided (used) by investing activities	<u>(10,502)</u>

**Cash flows from financing activities**

Net cash provided (used) by financing activities	<u>-0-</u>
Net increase (decrease) in cash	-0-
Cash at beginning of year	<u>-0-</u>
Cash at end of year	<u>\$ -0-</u>

**Supplemental cash flows disclosures:**

Interest payments	<u>\$ 176,454</u>
Income tax payments (paid to Parent)	<u>\$ -0-</u>

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

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 1 - Summary of Significant Accounting Policies

DLS Capital Partners, Inc. (the "Company") operates as a broker-dealer in securities registered with the Securities and Exchange Commission (SEC) under Rule 15c3-3(K)(2)(ii) which provides that all funds and securities belonging to the Company's customers would be handled by a clearing broker-dealer. Substantially all of the Company's revenues are derived from the trading of securities for its own account.

DLS Capital Partners, Inc. is owned by DLS Holdings, Inc., (the "Parent").

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due. The provision for federal income taxes differs from the expected amount using statutory rates because certain expenses included in the determination of net income are non-deductible for tax reporting purposes.

Purchases and sales of securities are recorded on a trade date basis. Commission revenue and expense are recorded on a settlement date basis, generally the third business day following the transactions. If materially different, commission revenue and expense are adjusted to a trade date basis.

Securities sold, not yet purchased represent an obligation of the Company to deliver specified equity securities at a predetermined price. The Company is obligated to acquire the securities at prevalent market prices in the future to satisfy this obligation.

Securities owned and securities sold, not yet purchased are recorded at quoted market value. Securities and investments which are not readily marketable are carried at fair value as determined by management of the Company. Unrealized gains and losses are credited or charged to operations. The Company's securities are being held by the clearing broker-dealer. Should the clearing broker-dealer fail to deliver securities to the Company, the Company may be required to purchase identical securities on the open market.

Property and equipment is recorded at cost. Depreciation is recorded using an accelerated method over the useful life of the assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 1 - Summary of Significant Accounting Policies, continued

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.

**Fair Value Measurements**

Effective July 1, 2008, the Company adopted Statement No. 157, *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. Statement No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

As defined in Statement No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 1 - Summary of Significant Accounting Policies, continued

**Fair Value Measurements**

Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

For the year ended June 30, 2009, the application of valuation techniques applied to similar assets and liabilities has been consistent. The fair value of investments are deemed to be Level 1 investments.

**Investment Securities**

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Note 2 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At June 30, 2009, the Company had net capital of approximately \$731,107 and net capital requirements of \$100,000. The Company's ratio of aggregate indebtedness to net capital was .001 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Note 3 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 4 - Securities Owned

Securities owned and sold, not yet purchased represent trading and investment securities at quoted market values and at June 30, 2009 consist of the following:

	<u>Owned</u>	<u>Sold not yet purchased</u>
Equities	\$ -0-	\$ 353,430
Corporate bonds	2,649,156	-0-
	\$ 2,649,156	\$ 353,430

Note 5 - Property and Equipment

Property and equipment and related accumulated depreciation are as follows.

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Property and equipment	\$ 10,502	\$ (375)	\$ 10,127

Depreciation expense for the period ended June 30, 2009 was \$375 and is shown in occupancy and equipment costs.

Note 6 - Related Party Transactions

During the year ended June 30, 2009 the Company paid rent of \$35,000 to a shareholder of the Parent.

Note 7 - Payable to Clearing Broker

The payable to clearing broker represents the amount due for unsettled trading securities owned. Interest is charged on this payable at the prevailing margin rate, which was 6.5% at June 30, 2009.

Note 8 - Federal Income Taxes

The Company files a consolidated income tax return with the Parent. Income taxes are recorded using the separate company method to comply with FASB Statement 109.

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 8 - Federal Income Taxes, continued

Any resulting provision or benefit for income taxes is recorded as receivable from or payable to the Parent.

At June 30, 2009, the Company has net operating losses of approximately \$165,606 which would be carried forward to offset against future taxable income. This net operating loss carry forward would expire as follows:

<u>Year Ending</u> <u>June 30,</u>	
2027	\$ 46,928
2028	44,088
2029	<u>74,590</u>
	<u>\$ 165,606</u>

The tax benefit from the net operating loss carry forward of \$165,606 has not been reported in these financial statements because the Company believes it is likely that the carry forward will expire unused. Accordingly, the tax benefit has been offset by a valuation allowance of the same amount. The following reflects the changes in the tax benefit:

	<u>Deferred</u> <u>Tax Asset</u> <u>June 30, 2008</u>	<u>Current</u> <u>Period</u> <u>Changes</u>	<u>Deferred</u> <u>Tax Asset</u> <u>June 30, 2009</u>
Federal	\$ 19,100	\$ 25,450	\$ 44,550
Valuation allowance	<u>(19,100)</u>	<u>(24,450)</u>	<u>(44,550)</u>
Amount per balance sheet	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

On December 30, 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) No. FIN 48-3, “*Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities*” which permits the Company to defer the implementation of FASB Interpretation No. 48, “*Accounting for Uncertainty in Income Taxes*” (“FIN 48”) until its fiscal year beginning July 1, 2009. FIN 48 clarifies that management is expected to evaluate an income tax position taken, or expected to be taken, for likelihood of realization, before recording any amounts for such position in the financial statements. FIN 48 also requires expanded disclosure with respect to income tax positions taken that are not certain to be realized. The Company has elected to defer the implementation of FIN 48 while the FASB develops guidance on the application of FIN48 by pass-through entities and amends the disclosure requirements for FIN 48 for nonpublic enterprises.

DLS CAPITAL PARTNERS, INC.  
Notes to Financial Statements  
June 30, 2009

Note 8 - Federal Income Taxes, continued

Management evaluates income tax positions based on a predetermined threshold of whether the positions taken will be sustained on examination. Uncertain tax positions are reduced by a liability for a contingent loss that is recorded either when the threshold is no longer met or when it becomes probable that a payment will be made to the taxing authority

Note 9 - Subsequent Events

In preparing the accompanying financial statements, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 165, "Subsequent Events", the Company has reviewed events that have occurred after June 30, 2009 through August 17, 2009, the date the financial statements were available to be issued. During this period, the Company did not have any material subsequent events.

Note 10 - Commitments and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At June 30, 2009, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Supplemental Information  
Pursuant to Rule 17a-5  
of the Securities Exchange Act of 1934  
as of  
June 30, 2009

## Schedule I

DLS CAPITAL PARTNERS, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of June 30, 2009

### COMPUTATION OF NET CAPITAL

Total stockholders' equity qualified for net capital		\$1,078,150
Deduction and/or charges:		
Other assets	\$ 405	
Property and equipment, net	<u>10,127</u>	<u>(10,532)</u>
Net capital before haircuts on securities positions		1,067,618
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):		
Debt securities	235,001	
Other securities	62,396	
Undue concentration	<u>39,114</u>	<u>(336,511)</u>
Net capital		<u>\$ 731,107</u>

### AGGREGATE INDEBTEDNESS

Accounts payable	<u>\$ 589</u>
Total aggregate indebtedness	<u>\$ 589</u>

**Schedule I (continued)**

DLS CAPITAL PARTNERS, INC.  
Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
As of June 30, 2009

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 39</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 100,000</u>
Net capital in excess of required minimum	<u>\$ 631,107</u>
Excess net capital at 1000%	<u>\$ 731,048</u>
Ratio: Aggregate indebtedness to net capital	<u>.001 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

There were no material differences in the computation of net capital under Rule 15c3-1 from the Company's computation.

## **Schedule II**

DLS CAPITAL PARTNERS, INC.

Computation for Determination of Reserve Requirements Under

Rule 15c3-3 of the Securities and Exchange Commission

As of June 30, 2009

### **EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: First Southwest Company

Independent Auditor's Report

On Internal Control

Required By SEC Rule 17a-5

For the Year Ended

June 30, 2009



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

The Board of Directors  
DLS Capital Partners, Inc.

In planning and performing our audit of the financial statements and supplemental information of DLS Capital Partners, Inc. (the "Company"), as of and for the year ended June 30, 2009 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting 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 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 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 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 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 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 June 30, 2009, to meet the SEC's objectives.

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

*CF # 6.22P*  
CF & Co., L.L.P.

Dallas, Texas  
August 17, 2009

Independent Auditor's Report  
On The SIPC Annual Assessment  
Required By SEC Rule 17a-5  
Year Ended June 30, 2009



*CF & Co., L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE SIPC ANNUAL  
ASSESSMENT REQUIRED BY SEC RULE 17a-5

To the Board of Directors and Stockholder  
DLS Capital Partners, Inc.

In accordance with rule 17a-5(e)(4) of the Securities and Exchange Commission, we have performed the following procedures with respect to the accompanying schedule (Form SIPC-7T) of Securities Investor Protection Corporation assessments and payments of DLS Capital Partners, Inc. for the year ended June 30, 2009. Our procedures were performed solely to assist you in complying with rule 17a-5(e)(4), and our report is not to be used for any other purpose. The procedures we performed are as follows:

1. Compared listed assessment payments with respective cash disbursement records entries;
2. Compared amounts reported on the audited Form X-17A-5 for the year July 1, 2008 to June 30, 2009, with amounts reported in the General Assessment Reconciliation (Form SIPC-7T);
3. Compared any adjustments reported in Form SIPC-7T with supporting schedules and working papers;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7T and in the related schedules and working papers supporting adjustments.

Because the above procedures do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on the schedule referred to above. In connection with the procedures referred to above, nothing came to our attention that caused us to believe that the amounts shown on Form SIPC-7T were not determined in accordance with applicable instructions and forms. This report relates only to the schedule referred to above and does not extend to any financial statements of DLS Capital Partners, Inc. taken as a whole.

*CF & Co., L.L.P.*  
CF & Co., L.L.P.

Dallas, Texas  
August 17, 2009

14175 Proton Road • Dallas, Texas 75244-3604 • Phone: 972-387-4300 • 800-834-8586 • Fax 972-960-2810 • www.cflip.com

REGISTERED WITH THE PCAOB •  
MEMBERS: AICPA • CENTER FOR AUDIT QUALITY • TSCPA • EBPAQC •  
CPAMERICA INTERNATIONAL AN AFFILIATE OF HORWATH INTERNATIONAL AND  
THE INTERNATIONAL ACCOUNTING GROUP (TIAG)

Transitional Assessment Reconciliation

(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:

~~##~~ DLS Capital Partners Inc  
4345 Park Lane  
Dallas TX 75220  
fye 6-30-09

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.

Mary Durlinger 2143469590

Amended Copy  
~~WORKING COPY~~

2. A. General assessment [item 2e from page 2 (not less than \$150 minimum)]

\$ 3453.64

B. Less payment made with SIPC-4 made in January, February or March 2009 (For all fiscal year ends except January, February, or March)

( 150.00 )

Date Paid

3303.64

C. Assessment balance due

D. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum

0

E. Total assessment balance and interest due (or overpayment carried forward)

\$ 3303.64

F. PAID WITH THIS FORM:

Check enclosed, payable to SIPC  
Total (must be same as E above)

\$ 3303.64

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

None

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.

DLS Capital Partners Inc

(Name of Corporation, Partnership or other organization)

4345 Park Lane

(Authorized Signature)

Dallas TX 75220

(Title)

Dated the 14 day of August, 20 09.

\* Corrected / amended

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 April 1, 2009  
and ending 6-30, 2009  
Eliminate cents

**Item No.**

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

\$ 1,488,000

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.

0  
0  
0  
0  
0  
0  
0

Total additions

0

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):

0  
0  
12,362  
0  
0  
0  
0  
0

(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.

\$ 94,182

(ii) 40% of interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ (lower)

Enter the greater of line (i) or (ii)

Total deductions

94,182  
106,544  
1,381,456  
3453.64

3d. SIPC Net Operating Revenues

\$ 1,381,456

3e. General Assessment @ .0025

\$ 3453.64

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

**DSL Capital Partners, Inc.**

June 30, 2009

*Report Pursuant to Rule 17a-5(d)*