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

SEC FILE NUMBER	
8-	34726

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 January 1, 2008 AND ENDING December 31, 2008  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Merchant Capital, L.L.C.

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

2660 EastChase Lane Lakeview Center, Suite 400

(No. and Street)

Montgomery

(City)

AL

(State)

36117

(Zip Code)

OFFICIAL USE ONLY

FIRM I.D. NO.

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

Douglas C. Sellers

(334) 834-5100

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Wolf & Taunton, P.C.

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

1761 Taliaferro Trail

(Address)

Montgomery

(City)

AL

(State)

36117

(Zip Code)

Processing Section

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Washington, DC  
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CHECK ONE:

Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

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\*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.

# ***Wolf & Taunton, P.C.***

**Certified Public Accountants**

MARCUS J. WOLF, C.P.A.  
BOBBY L. TAUNTON, JR., C.P.A.

TAWANNA L. AUDE, C.P.A.  
STEPHANIE C. SMITH, C.P.A.

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## INDEPENDENT AUDITORS' REPORT

To the Members  
Merchant Capital, L.L.C.  
Montgomery, Alabama

We have audited the accompanying statement of financial condition of Merchant Capital, L.L.C. (an Alabama Limited Liability Company) as of December 31, 2008 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Merchant Capital, L.L.C. at December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

*Wolf & Taunton, P.C.*

January 15, 2009

MERCHANT CAPITAL, L.L.C.  
STATEMENT OF FINANCIAL CONDITION  
December 31, 2008

ASSETS

Cash and equivalents	\$ 4,061,960
Accounts receivable	348,927
Securities owned	1,373,398
Other current assets	<u>679,776</u>
	<u>\$ 6,464,061</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities	
Accounts payable and accrued expenses	\$ 82,268
Short-term bank loan	<u>388,308</u>
	470,576
Members' equity	<u>5,993,485</u>
	<u>\$ 6,464,061</u>

See accompanying notes and independent auditors' report.

MERCHANT CAPITAL, L.L.C.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Merchant Capital, L.L.C. (the Company) is presented to assist in understanding the Company's financial statement. The financial statement and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statement.

Organization and 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, Inc. (FINRA). The Company is an Alabama Limited Liability Company located in Montgomery, Alabama.

Basis of Accounting

The Company uses the accrual basis of accounting in accordance with generally accepted accounting principles.

Revenue Recognition

Customers' securities transactions are recorded on a settlement date basis with related income and expenses recorded on a settlement date basis. Securities transactions of the Company are recorded on a trade date basis. Investment banking revenue is recorded as follows: management fees on settlement date and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Cash and Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchases with an original maturity of three months or less to be cash equivalents.

Income Taxes

Pro rata income from the L.L.C. is combined with the income and expenses of the members from other sources and reported in the members' individual Federal and State tax returns. The L.L.C. is not a taxpaying entity for purposes of Federal and State income taxes, and thus, no income taxes have been recorded in this statement.

MERCHANT CAPITAL, L.L.C.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - SPECIAL RESERVE BANK ACCOUNT

The Company is subject to the requirements of Rule 15c3-3 under the Securities Exchange Act of 1934. The Rule requires the Company to maintain minimum deposits, as computed in accordance with the applicable formula, in a "Special Reserve Bank Account for the Exclusive Benefit of Customers". The Company does maintain an account, which had a balance of \$2,204 as of December 31, 2008. However, the Company did not hold customer securities or funds, therefore, there was no reserve requirement at December 31, 2008.

NOTE C - 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, the Company had net capital of \$5,603,510, which was \$5,353,510 in excess of its required net capital of \$250,000. The Company's percentage of aggregate indebtedness to net capital was 1%.

NOTE D - RELATED PARTY TRANSACTIONS

The Company relies on Merchant Capital Investments, Inc., to provide management and administrative services along with marketing and sales expertise. For the year ended December 31, 2008, \$11,695,892 was charged to operations for these services.

NOTE E - LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

The Company had no liabilities subordinated to the claims of general creditors at December 31, 2008.

MERCHANT CAPITAL, L.L.C.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
December 31, 2008

NOTE F - REVOLVING CREDIT AGREEMENT

The Company has available a revolving line of credit for \$150,000,000, of which \$149,611,692 was unused at December 31, 2008. In addition, the Company has the ability to increase this revolving line of credit in instances where needed. In 2008, the line was modified once to \$519,376,096. Bank advances on this credit line are payable on an overnight basis and carry interest at the London Interbank Offered Rate (LIBOR) plus 2½%. This credit line is secured by a first security interest in the collateral involved with the specific transaction.

NOTE G - CONCENTRATIONS

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash accounts in financial institutions which exceed the federal depository insurance coverage limits.

Business risk

The Company's revenues and profitability are affected by many conditions, including changes in economic conditions, inflation, political events, and investor sentiment. Because these factors are unpredictable and beyond the Company's control, earnings may fluctuate significantly from year to year.

NOTE H - CERTIFICATES OF DEPOSIT

Certificates of deposit totaling \$777,158 are included in securities owned in the accompanying statement of financial condition. These certificates bear interest ranging from 1.24% to 4.25% and mature between April 5th and October 20th 2009.

NOTE I - FINANCIAL INSTRUMENTS

Substantially all the Company's financial instruments are carried at fair value or amounts that approximate fair value.

MERCHANT CAPITAL, L.L.C.  
NOTES TO STATEMENT OF FINANCIAL CONDITION  
December 31, 2008

NOTE J - REGULATION

The Company is registered as a broker-dealer with the Securities and Exchange Commission. The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the federal agency responsible for the administration of the federal securities laws. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, such as the FINRA, which has been designated by the SEC as the Company's primary regulator. These self-regulatory organizations adopt rules, subject to approval by the SEC, that govern the industry and conduct periodic examinations of the Company's operations. The primary purpose of these requirements is to enhance the protection of customer assets. These laws and regulatory requirements subject the Company to standards of solvency with respect to capital requirements, financial reporting requirements, record keeping and business practices, the use and safekeeping of customers' funds and securities, and the conduct of directors, officers and employees.

Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business.

MERCHANT CAPITAL, L.L.C.

STATEMENT OF FINANCIAL CONDITION

December 31, 2008

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