

MAY 20 2010  
SECTION 193

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

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

SEC FILE NUMBER  
8-33443

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 4/1/2009 AND ENDING 3/31/2010  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CARNES CAPITAL CORPORATION

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

8889 Pelican Bay Blvd., Suite 500

(No. and Street)

Naples

FL

34108

(City)

(State)

(Zip Code)

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

John F. Cheever

(239) 254-2520

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Price Waterhouse Coopers LLP

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

4221 West Boy Scout Blvd., Suite 200

Tampa

FL

33607

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION  
RECEIVED  
MAY 20 2010  
BRANCH OF REGISTRATIONS  
AND  
02 EXAMINATIONS

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)

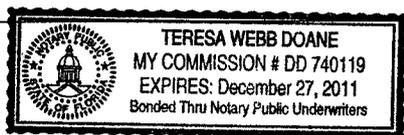
SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, John F. Cheever, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Carnes Capital Corporation, as of March 31, 2010, 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:



John F. Cheever
Signature
Controller
Title

Teresa Doane
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 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.

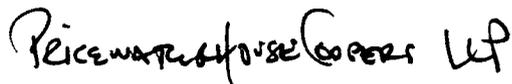
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**Report of Independent Certified Public Accountants**

To the Board of Directors and Stockholder of  
Carnes Capital Corporation and Subsidiary

In our opinion, the accompanying consolidated statement of financial condition and the related consolidated statements of operations, changes in stockholder's equity, and cash flows present fairly, in all material respects, the financial position of Carnes Capital Corporation and Subsidiary (the "Company") at March 31, 2010, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



May 18, 2010

**Carnes Capital Corporation and Subsidiary**  
 (an indirect wholly owned subsidiary of Legg Mason, Inc.)  
**Consolidated Statement of Financial Condition**  
**March 31, 2010**

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**Assets**

|  |              |
|--|--------------|
| Cash and cash equivalents  | \$ 3,418,888 |
| Receivable from clearing broker  | 280,899      |
| Property and equipment at cost, less accumulated depreciation<br>and amortization of \$3,665,828 | 39,597       |
| Deferred taxes, net  | 419,156      |
| Other assets   | 424,106      |
|  | <hr/>        |
| Total assets   | \$ 4,582,646 |

**Liabilities and Stockholder's Equity**

Liabilities

|   |            |
|---|------------|
| Payable to affiliate                        | \$ 620,374 |
| Accrued compensation                        | 225,082    |
| Accounts payable and other accrued expenses | 89,073     |
|   | <hr/>      |
| Total liabilities                           | 934,529    |

Commitments and contingencies (Note 6)

Stockholder's Equity

|  |           |
|--|-----------|
| Common stock, \$1 par value; 200,000 shares authorized;<br>105,600 shares issued and outstanding | 105,600   |
| Additional paid-in capital   | 4,282,726 |
| Accumulated deficit  | (740,209) |
|  | <hr/>     |
| Total stockholder's equity   | 3,648,117 |

|  |                                 |
|--|---------------------------------|
| Total liabilities and stockholder's equity | <hr/> <b>\$ 4,582,646</b> <hr/> |
|--|---------------------------------|

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