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SEC / TM ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-46410

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 01/01/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER: **ALFS, INC.**

OFFICIAL USE ONLY
FIRM ID. NO.

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

3100 Sanders Road
(No. and Street)

Northbrook IL 60062
(City) (State) (Zip Code)

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

Marian Goll 847-402-3831
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP
(Name - if individual, state last, first, middle name)

111 S. Wacker Drive Chicago IL 60606
(Address) (City) (State) (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).
SEC 1410 (06-02)

ALFS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholder of
ALFS, Inc.
Northbrook, IL

We have audited the accompanying statement of financial condition of ALFS, Inc. (the "Company") (ultimately a wholly owned subsidiary of The Allstate Corporation) as of December 31, 2010, and the related statements of operations, changes in shareholder's equity, 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 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 also 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of ALFS, Inc. at December 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

February 25, 2011

ALFS, INC.

STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2010

ASSETS

CASH	\$ 187,740
RECEIVABLE FROM ALLSTATE LIFE	21,887
OTHER ASSETS	<u>16,122</u>
TOTAL ASSETS	<u>\$ 225,749</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:

Wholesaling and marketing expenses accrued	\$ 14,672
Other payable	<u>200</u>
Total liabilities	<u>14,872</u>

SHAREHOLDER'S EQUITY:

Common stock—\$10 par value, 10,000 shares authorized and 250 shares issued and outstanding	2,500
Additional capital paid-in	134,500
Retained earnings	<u>73,877</u>
Total shareholder's equity	<u>210,877</u>

TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 225,749</u>
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See notes to financial statements.

ALFS, INC.

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2010

REVENUES:

Underwriting revenue	\$ 112,058
Commission revenue	<u>6,628</u>
Total revenues	118,686

EXPENSES:

Wholesaling and marketing expenses	102,010
General and administrative expenses	46,667
Regulatory fees and other expenses	41,636
Less amounts reimbursed by Allstate Life	<u>(71,627)</u>
Total expenses	<u>118,686</u>

INCOME FROM OPERATIONS BEFORE INCOME TAXES

-

INCOME TAXES

-

NET INCOME

\$ -

See notes to financial statements.

ALFS, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2010

	Common Stock	Additional Capital Paid-in	Retained Earnings	Total Shareholder's Equity
BALANCE — Beginning of year	\$ 2,500	\$ 134,500	\$ 73,877	\$ 210,877
Net income	-	-	-	-
BALANCE — End of year	<u>\$ 2,500</u>	<u>\$ 134,500</u>	<u>\$ 73,877</u>	<u>\$ 210,877</u>

See notes to financial statements.

ALFS, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ -
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in:	
Other assets	5,765
Other payable	200
Receivable from Allstate Life	355
Wholesaling and marketing expenses accrued	(335)
Accounts payable and other accrued expenses	<u>(7,300)</u>
Net cash used in operating activities	<u>(1,315)</u>
NET DECREASE IN CASH	(1,315)
CASH — Beginning of year	<u>189,055</u>
CASH — End of year	<u><u>\$ 187,740</u></u>

See notes to financial statements.

ALFS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

1. GENERAL

Basis of Presentation— The accompanying financial statements include the accounts of ALFS, Inc. (the “Company”), a wholly owned subsidiary of Allstate Life Insurance Company (“Allstate Life”), which is a wholly owned subsidiary of Allstate Insurance Company (“Allstate”), a wholly owned subsidiary of Allstate Insurance Holdings (“Allstate Holdings”), a wholly owned subsidiary of The Allstate Corporation (the “Corporation”). These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Nature of Operations—The Company, a Delaware corporation, 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 underwrites certain SEC-registered variable annuity, variable life, and variable universal life contracts which are issued by Allstate Life or one of its affiliates (collectively, the “Affiliates”) and contracts with affiliated and unaffiliated broker-dealers to sell these contracts. The Company also distributes certain insurance products issued by Allstate Life, which are exempt from registration with the SEC, but are required to be sold by persons appropriately registered with FINRA. The Company earns and receives from Allstate Life a distribution fee for variable annuity contracts underwritten by the Company in exact proportion to wholesaling and marketing support expenses incurred and paid to an unaffiliated third party. The Company earns no revenue in association with its underwriting activities related to variable life and variable universal life contracts or in association with the distribution of the insurance products issued by Allstate Life. The Company is reimbursed by Allstate Life for all expenses incurred.

Subsequent Events – Subsequent events were evaluated through February 25, 2011, the date the financial statements were issued.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Underwriting Revenues - Underwriting revenues reflect distribution fees due from Allstate Life for variable annuity contracts underwritten by the Company. A receivable is established for fees earned but not yet collected.

Wholesaling and marketing expense – Wholesaling and marketing expenses are expensed as incurred and reflect amounts due to an unaffiliated third party for wholesaling and marketing support provided to an affiliated broker dealer for variable annuity contracts underwritten by the Company. A payable is established for expenses incurred but not yet paid.

Regulatory fees and other expenses – Regulatory fees and other expenses are expensed as incurred and reflect FINRA licensing fees, advertising costs, state filing fees, commission expenses and other costs incurred in the normal course of business. Allstate Life reimburses these expenses on a quarterly basis. A receivable is established for amounts incurred but not yet reimbursed.

General and administrative expenses – General and administrative expenses reflect costs allocated to the Company from Allstate Life or other affiliates of the Corporation for providing administrative activities to the Company. Allstate Life reimburses these expenses on a quarterly basis. A receivable is established for amounts incurred but not yet reimbursed.

Income Taxes - The income tax provision is calculated under the liability method. Deferred tax assets and liabilities are recorded based upon the difference between the financial statement and tax basis of assets and liabilities at the enacted tax rates.

The Company had no differences between the financial statement and tax bases of assets and liabilities at December 31, 2010.

3. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to the SEC Uniform Net Capital Rule 15c3-1 (the “Rule”), which requires the maintenance of minimum net capital, as defined under the Rule, equivalent to the greater of \$5,000 or 6-2/3% of aggregate indebtedness, as defined under the Rule.

At December 31, 2010, the Company had net capital, as defined under the Rule, of \$187,540 which was \$182,540 in excess of required net capital of \$5,000. The Company’s aggregate indebtedness, as defined under the Rule, was 8% of its net capital.

4. INCOME TAXES

The Company currently joins the Corporation and its other eligible domestic subsidiaries (the “Allstate Group”) in the filing of a consolidated federal income tax return and is party to a federal income tax allocation agreement (the “Tax Sharing Agreement”). Under the Tax Sharing Agreement, the Company pays to or receives from the Corporation the amount, if any, by which the Allstate Group’s federal income tax liability is affected by virtue of inclusion of the Company in the consolidated federal income tax return. Effectively, this results in the Company’s annual income tax provision being computed, with adjustments, as if the Company filed a separate return.

The Internal Revenue Services (“IRS”) is currently examining the Allstate Group’s 2007 and 2008 federal income tax returns. The IRS has completed its examination of the Allstate Group’s federal income tax returns for 2005-2006 and the case is under consideration at the IRS Appeals Office. The Allstate Group’s tax years prior to 2005 have been examined by the IRS and the statute of limitations has expired on those years. Any adjustments that may result from IRS examinations of tax returns are not expected to have a material effect on the results of operations, cash flows or financial position of the Company.

The Company had no liability for unrecognized tax benefits at December 31, 2010. The Company believes that it is reasonably possible that the liability balance will not significantly increase within the next 12 months. No amounts have been accrued for interest or penalties related to unrecognized tax benefits.

The Company paid no income taxes in 2010.

5. RELATED-PARTY TRANSACTIONS

Allstate Life reimburses the Company for all expenses incurred in the underwriting and distributing of certain SEC-registered variable annuity, variable life, and variable universal life contracts, which include regulatory fees and other expenses as well as allocations for corporate services and administrative costs from Allstate Life. During the year ended December 31, 2010, the Company incurred expenses of \$71,627. The Company received net reimbursements from Allstate Life of \$71,647 and \$7,215 is due from Allstate Life at December 31, 2010.

The Company earned underwriting revenue of \$112,058 for underwriting services provided to Affiliates. At December 31, 2010, \$14,672 is due from Affiliates for distribution fees earned.

The Company earns commission revenue and incurs equal commission expense on variable annuity and variable universal life contracts sold by wholesalers registered with the Company and affiliated with Lincoln Benefit Life Company ("LBL"), a wholly owned subsidiary of Allstate Life. The contracts are issued by LBL and LBL pays the commissions to the wholesalers on behalf of the Company. In 2010, the Company earned commission revenue and incurred commission expense of \$6,628 in accordance with this arrangement. This commission revenue and commission expense is included as a component of the commission revenue and regulatory fees and other expenses, respectively, on the Statement of Operations.

6. FINANCIAL INSTRUMENTS

In the normal course of business, the Company invests in various financial assets and incurs various financial liabilities. The fair value of all assets and liabilities approximates their carrying value, as they are short-term in nature.

* * * * *

**COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS
PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934
AS OF DECEMBER 31, 2010**

NET CAPITAL

TOTAL SHAREHOLDER'S EQUITY \$ 210,877

ADJUSTMENTS TO NET CAPITAL PURSUANT TO
RULE 15c3-1:

Nonallowable assets:

Other assets

\$ 16,122

Receivable from Allstate Life

7,215

Total nonallowable assets

23,337

NET CAPITAL

\$ 187,540

AGGREGATE INDEBTEDNESS

\$ 14,872

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

MINIMUM NET CAPITAL REQUIRED
(6-2/3% of aggregate indebtedness)

\$ 991

MINIMUM DOLLAR NET CAPITAL REQUIREMENT OF
REPORTING BROKER OR DEALER

\$ 5,000

NET CAPITAL REQUIREMENT (greater of \$5,000 or
6-2/3% of aggregate indebtedness)

\$ 5,000

EXCESS NET CAPITAL

\$ 182,540

PERCENTAGE OF AGGREGATE INDEBTEDNESS TO
NET CAPITAL

7.93%

Note: There are no material differences between the computations using the amounts reported in the accompanying audited financial statements and the computations as reported in the Company's unaudited FOCUS report, Part IIA, Form X17a-5, as of December 31, 2010, filed on January 26, 2011.

ALFS, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2010

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of Rule 15c3-3.

February 25, 2011

To the Board of Directors and Shareholder of
ALFS, Inc.
Northbrook, Illinois

Tel: +1 312 486 1000
Fax: +1 312 486 1486
www.deloitte.com

In planning and performing our audit of the financial statements of ALFS, Inc. (the "Company") as of and for the year ended December 31, 2010 (on which we issued our report dated February 25, 2011 and such report expressed an unqualified opinion on those financial statements), 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 an 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 (the "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 compliance with 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. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in 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, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

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 *deficiency* in internal control 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 and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination

of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 December 31, 2010, 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, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte + Touche LLP