

AB  
3/16

KH 3/15

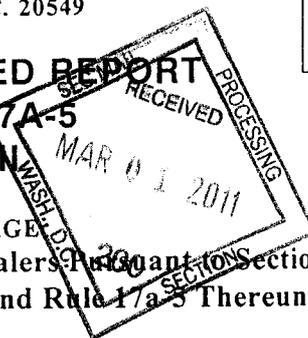
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00



11019979

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



SEC FILE NUMBER
8-66917

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: 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

781-380-8888

(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

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.

**FOR OFFICIAL USE ONLY**

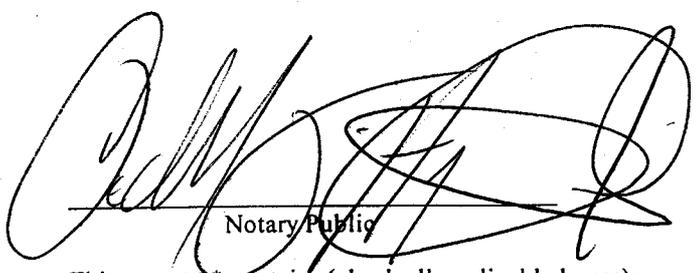
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

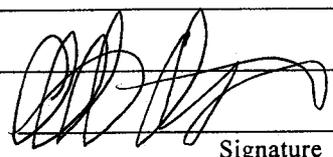
JD  
3/22

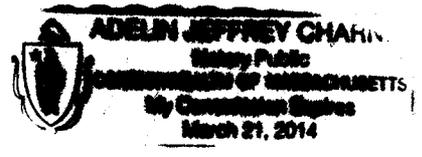
OATH OR AFFIRMATION

I, Arnett Waters, 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, 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:

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

  
\_\_\_\_\_  
Notary Public

  
\_\_\_\_\_  
Signature  
CAMN  
\_\_\_\_\_  
Title

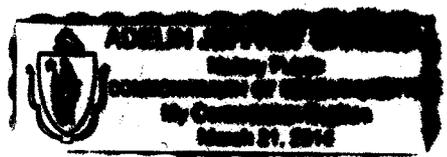
  
ADELIN JEFFREY CHAHIN  
Notary Public  
COMMONWEALTH OF MASSACHUSETTS  
My Commission Expires  
March 21, 2014



This report contains (check all applicable boxes):

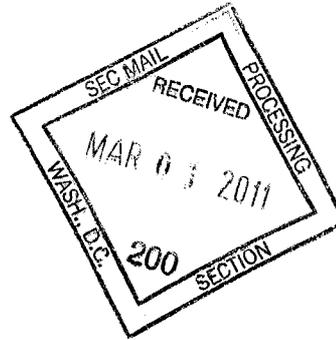
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims 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).

  
ADELIN JEFFREY CHAHIN  
Notary Public  
COMMONWEALTH OF MASSACHUSETTS  
My Commission Expires  
March 21, 2014

DONELLON, ORCUTT,  
PATCH & STALLARD  
PC

*Certified Public Accountants*



A.L. WATERS CAPITAL, LLC  
FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009

96 Broadway, Taunton, MA 02780 Ph: 508.880.3334 Fx: 508.823.4000 [www.dopscpa.com](http://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, 2010 AND 2009

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

INDEPENDENT AUDITORS' REPORT

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, 2010 and 2009, 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, 2010 and 2009, 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.

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.



Taunton, Massachusetts

February 19, 2011

A.L. WATERS CAPITAL, LLC  
STATEMENTS OF FINANCIAL CONDITION  
DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash	\$8,371	\$10,360
Prepaid expenses	<u>583</u>	<u>153</u>
TOTAL ASSETS	<u>\$8,954</u>	<u>\$10,513</u>

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES		
Accrued expenses	\$ -	\$ 4,500
MEMBERS' EQUITY (Exhibit C)	<u>8,954</u>	<u>6,013</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$8,954</u>	<u>\$10,513</u>

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC  
STATEMENTS OF INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ADVISORY INCOME	\$ <u>5,000</u>	\$ <u>-</u>
OPERATING EXPENSES		
Professional fees	9,750	14,250
Registration & regulatory fees	<u>1,445</u>	<u>5,094</u>
TOTAL OPERATING EXPENSES	<u>11,195</u>	<u>19,344</u>
OPERATING LOSS	( <u>6,195</u> )	( <u>19,344</u> )
GENERAL AND ADMINISTRATIVE EXPENSES		
Insurance	<u>364</u>	<u>462</u>
NET LOSS BEFORE OTHER INCOME AND EXPENSE	( 6,559 )	( 19,806 )
OTHER INCOME AND (EXPENSE)		
Other income	<u>2,400</u>	<u>-</u>
NET LOSS	\$ ( <u>4,159</u> )	\$ ( <u>19,806</u> )

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC  
STATEMENTS OF MEMBERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>TOTAL MEMBERS' EQUITY</u>
December 31, 2008	\$ 9,494
2009 Net loss	(19,806)
2009 Capital Contributions	<u>16,325</u>
December 31, 2009	<u>6,013</u>
2010 Net loss	( 4,159)
2010 Capital Contributions	<u>7,100</u>
December 31, 2010	\$ <u>8,954</u>

See Notes to Financial Statements

## A.L. WATERS CAPITAL, LLC

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES:		
Net loss	\$( 4,159)	\$(19,806)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Change in current assets and liabilities		
(Increase) Decrease in prepaid expenses	( 430)	620
(Decrease) Increase in accrued expenses	<u>( 4,500)</u>	<u>500</u>
NET CASH APPLIED TO OPERATING ACTIVITIES	<u>( 9,089)</u>	<u>(18,686)</u>
FINANCING ACTIVITIES:		
Member contribution	<u>7,100</u>	<u>16,325</u>
NET DECREASE IN CASH	( 1,989)	( 2,361)
CASH - BEGINNING	<u>10,360</u>	<u>12,721</u>
CASH - ENDING	\$ <u>8,371</u>	\$ <u>10,360</u>

See Notes to Financial Statements

A.L. WATERS CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

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 actively 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, 2010 and 2009, the Company had net capital of \$8,371 and \$5,860, respectively, which was in excess of its required net capital of \$5,000. The Company's net capital ratio was 0:1 and 0.7:1 at December 31, 2010 and December 31, 2009, respectively.

A.L. WATERS CAPITAL, LLC

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE 3 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 24, 2011, the date the financial statements were available to be issued.

NOTE 4 - UNCERTAIN TAX POSITIONS

On January 1, 2009, the Company adopted the provisions of FASB ASC 740, Accounting for Uncertainties in Income Taxes. The rules clarify the accounting and recognition for income tax positions taken or expected to be taken in the Company's income tax returns.

In evaluating the Company's tax positions and accruals, various factors are considered by management. The Company believes their estimates are appropriate based on current facts and circumstances. Accordingly, there are no unrecognized tax benefits or related accruals of interest and penalties recorded in these financial statements.

The Company's income tax filings are subject to audit by federal and various state taxing authorities. As of the year ended 2010, the three preceding tax years remain open for routine audit by these tax authorities. In certain circumstances, a tax year may be open beyond the three years statute of limitation law. If it is determined the Company needs to file in another jurisdiction the statute of limitations may not apply based on the nexus tax law of that jurisdiction.

## 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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
NET CAPITAL		
Members' equity	\$ 8,954	\$ 6,013
DEDUCTIONS FOR NON-ALLOWED ASSETS		
Prepaid expenses	( <u>583</u> )	( <u>153</u> )
NET CAPITAL	\$ <u>8,371</u>	\$ <u>5,860</u>
TOTAL AGGREGATE INDEBTEDNESS	\$ <u>-</u>	\$ <u>4,500</u>
MINIMUM NET CAPITAL REQUIRED	\$ <u>5,000</u>	\$ <u>5,000</u>
EXCESS NET CAPITAL	\$ <u>3,371</u>	\$ <u>860</u>
RATIO: Aggregate indebtedness to Net Capital	<u>.00 to 1</u>	<u>.77 to 1</u>

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, 2010 and December 31, 2009.



*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, 2010 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 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 previously 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 deficiency, or a 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 Company'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 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, 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 (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.

*Donella, Orcutt, Patch & Stallard P.C.*

Taunton, Massachusetts

February 19, 2011