

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

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

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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 10/01/09 AND ENDING 09/30/10  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Powell Capital Markets, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

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

3 Becker Farm Road

(No. and Street)

Roseland

New Jersey

07068

(City)

(State)

(Zip Code)

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

Arthur F. Powell

(973) 740-1230

(Area Code -- Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

Rothstein, Kass & Company, P.C.

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

4 Becker Farm Road

Roseland

New Jersey

07068

(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)

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AND  
EXAMINATIONS  
02

OATH OR AFFIRMATION

AD  
12/08

I, Arthur F. Powell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Powell Capital Markets, Inc., as of September 30, 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:

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

*Arthur F. Powell*

Signature

*Ves.*

Title

*Walter D. Faragiu*

Notary Public

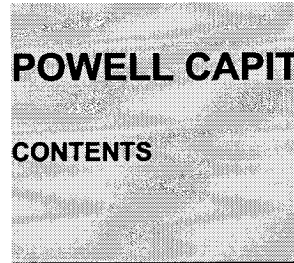
My commission expires 4/23/2013

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 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 accounting control.
- (p) Schedule of segregation requirements and funds in segregation--customers' regulated commodity futures account pursuant to Rule 171-5.

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

**POWELL CAPITAL MARKETS, INC.**  
STATEMENT OF FINANCIAL CONDITION  
AND  
INDEPENDENT AUDITORS' REPORT  
SEPTEMBER 30, 2010



# **POWELL CAPITAL MARKETS, INC.**

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Certified  
Public  
Accountants

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Grand Cayman  
Irvine  
New York  
Roseland  
San Francisco  
Walnut Creek

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholder of  
Powell Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Powell Capital Markets, Inc. (the "Company") as of September 30, 2010. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 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 statement of financial condition, 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 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 Powell Capital Markets, Inc. as of September 30, 2010, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
November 24, 2010

# POWELL CAPITAL MARKETS, INC.

## STATEMENT OF FINANCIAL CONDITION

September 30, 2010

### ASSETS

Cash	\$	229,063
Receivable from clearing broker		28,209
Commissions receivable		35,000
Due from officer		100,000
Prepaid expenses and other current assets		15,685
Office furniture and equipment, less accumulated depreciation of \$151,018		<u>19,661</u>
	\$	<u>427,618</u>

### LIABILITIES AND STOCKHOLDER'S EQUITY

#### Liabilities

Accounts payable and other current liabilities	\$	50,775
Profit sharing plan payable		6,774
Income taxes payable		4,000
Deferred income tax liability		<u>1,000</u>
Total liabilities		<u>62,549</u>

#### Stockholder's equity

Common stock, no par value, authorized 1,000 shares, issued and outstanding 400 shares		40,000
Additional paid-in capital		261,500
Retained earnings		<u>63,569</u>
Total stockholder's equity		<u>365,069</u>
	\$	<u>427,618</u>

# POWELL CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of business and summary of significant accounting policies

#### *Nature of Business*

Powell Capital Markets, Inc. (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's main focus is with municipal bond offerings and performing advisory services.

#### *Basis of Presentation*

The accompanying financial statements are presented and have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

These financial statements were approved by management and available for issuance on November 24, 2010. Subsequent events have been evaluated through this date.

#### *Commission Receivable*

Commission receivable represents receivables due for work performed relating to municipal securities underwritings.

#### *Revenue and Expense Recognition from Securities Transactions*

Management fees and profits from participation in municipal securities underwritings are recorded on the closing date of each underwriting. Securities transactions and related income and expenses are recorded on a trade date basis.

#### *Income Taxes*

The Company follows an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce the deferred income tax assets to the amount expected to be realized.

The determination of the Company's provision for income taxes requires significant judgment, the use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in the Company's financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from tax authorities. When facts and circumstances change, the Company reassesses these probabilities and records any changes in the consolidated financial statements as appropriate. Accrued interest and penalties related to income tax matters are classified as a component of income tax expense.

# POWELL CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of business and summary of significant accounting policies (continued)

#### *Income Taxes (continued)*

In accordance with GAAP, the Company is required to determine whether a tax position of the Company is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Company files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. state and local jurisdictions. Generally the Company is no longer subject to income tax examinations by major taxing authorities for years before 2006. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce net assets. This policy also provides guidance on thresholds, measurement, de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition that is intended to provide better financial statement comparability among different entities. It must be applied to all existing tax positions upon initial adoption and the cumulative effect, if any, is to be reported as an adjustment to stockholder's equity as of October 1, 2009. Based on its analysis, the Company has determined that the adoption of this policy did not have a material impact on the Company's financial statements upon adoption. However, management's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof. No interest expense or penalties have been recognized as of and for the period ended September 30, 2010.

The Company may be subject to potential examination by U.S. federal, U.S. states or foreign jurisdiction authorities in the areas of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions and compliance with U.S. federal, U.S. state and foreign tax laws. The Company's management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

#### *Office Furniture and Equipment*

Office furniture and equipment is stated at cost less accumulated depreciation. The Company provides for depreciation as follows:

<b>Asset</b>	<b>Estimated Useful Life</b>	<b>Principal Method</b>
Telephone and computer equipment	5 years	Straight-line
Furniture and fixtures	7 years	Straight-line

#### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.



# POWELL CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENT

### 2. Due from officer

The amount due from officer is non-interest bearing and is due on demand.

### 3. Office furniture and equipment

Office furniture and equipment consist of the following at September 30, 2010:

Telephone and computer equipment	\$	124,011
Furniture and fixtures		<u>46,668</u>
		170,679
Less accumulated depreciation		<u>151,018</u>
	\$	<u>19,661</u>

Depreciation expense was \$12,568 for the year ended September 30, 2010.

### 4. Profit sharing plan

The Company has a profit sharing plan, which covers all employees that meet certain eligibility requirements. Contributions to the plan are made at the discretion of the Company's Board of Directors. The expense relating to the profit sharing plan for the year ended September 30, 2010 was approximately \$7,000.

### 5. Income taxes

The provision for income taxes for the year ended September 30, 2010 is summarized as follows:

<b>Current</b>		
Federal	\$	6,000
State		<u>1,240</u>
		<u>7,240</u>
<b>Deferred</b>		
Federal		(2,000)
State		<u>(2,000)</u>
		<u>(4,000)</u>
	\$	<u>3,240</u>

The components of the Company's deferred tax liability aggregating \$1,000, primarily relate to temporary differences for depreciation and the accrual to cash basis adjustment.

# POWELL CAPITAL MARKETS, INC.

## NOTES TO FINANCIAL STATEMENT

### 6. Net capital requirements

The Company is a member of FINRA, and is subject to the SEC Uniform Net Capital rule 15c3-1. This Rule 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 and that equity capital may not be withdrawn, or cash dividends paid, if the resulting net capital ratio would exceed 10 to 1. At September 30, 2010, the Company's net capital was approximately \$195,000, which was approximately \$95,000 in excess of its minimum required net capital of \$100,000.

### 7. Commitment

The Company rents office space under an operating lease that expires in November 2014. The approximate future annual rental commitments under the lease, as of September 30, 2010 are approximately as follows:

Year ending September 30,	
2011	\$ 62,000
2012	62,000
2013	62,000
2014	62,000
2015	<u>5,000</u>
	<u>\$ 253,000</u>

Rent expense recorded under this lease approximated \$62,000, which is net of approximately \$10,000 that is earned as rental income by the Company for the year ended September 30, 2010.

### 8. Off-balance-sheet risk and concentration of credit risk

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to its sole clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts.

In addition, the receivable from the clearing broker is pursuant to this clearance agreement and includes a clearing deposit of \$25,000.

The Company maintains its cash balances in multiple financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution.

### 9. Exemption from Rule 15c3-3

The Company is exempt from SEC Rule 15c3-3 pursuant to the exemptive provisions under sub-paragraphs (k)(2)(ii), and therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers", as all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

# Rothstein Kass

## **INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO THE SIPC ASSESSMENT RECONCILIATION REQUIRED BY SEC RULE 17a-5**

To the Board of Directors and Stockholder of Powell Capital Markets, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended September 30, 2010, which were agreed to by Powell Capital Markets, Inc. ("the Company") and the Securities and Exchange Commission, the Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). The Company's management is responsible for the Company's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended September 30, 2010 with the amounts reported in Form SIPC-7 for the year ended September 30, 2010 noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Company's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Rothstein, Kass & Company, P.C.*

Roseland, New Jersey  
November 24, 2010

# POWELL CAPITAL MARKETS, INC.

## SCHEDULE OF ASSESSMENTS AND PAYMENTS (FORM SIPC-7) TO THE SECURITIES INVESTOR PROTECTION CORPORATION (SIPC)

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For the year ended September 30, 2010

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SIPC Net Operating Revenues Per General Assessment Reconciliation Form SIPC-7	\$ 548,758
General Assessments at .0025	\$ 1,372
Payment Remitted with Form SIPC-6	(759)
Amount Due with Form SIPC-7	\$ 613