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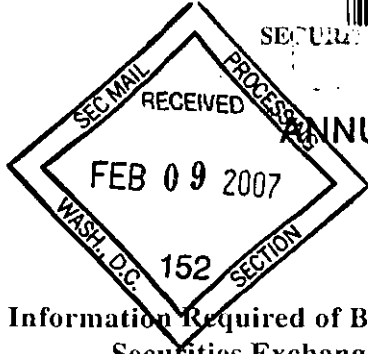


SECURITIES AND EXCHANGE COMMISSION

07000817

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OMB APPROVAL  
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Estimated average burden  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER  
8- 67197

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, 2006 AND ENDING December 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Midchester Capital, LLC**  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
509 Madison Avenue, 15th Floor  
(No. and Street)  
New York NY 10022  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
James N. Pritchard 646-723-3357  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Marx, Lange, Gutterman LLP  
(Name - if individual, state last, first, middle name)  
1430 Broadway New York NY 10018  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**

**MAR 02 2007**

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THOMSON FINANCIAL

\*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)

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OATH OR AFFIRMATION

I, James N. Pritchard, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Midchester Capital, LLC, as of December 31, 2006, 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:

SHERINE A. KENNY  
NOTARY PUBLIC, STATE OF NEW YORK  
NO. 01KE6100282  
CERTIFIED IN KINGS COUNTY  
COMMISSION EXPIRES OCT. 14 2007

James N. Pritchard  
Signature  
Chief Executive Officer  
Title

[Signature]  
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 15c3-3 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) A report on internal control

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



Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors and Members of  
Midchester Capital, LLC

We have audited the accompanying statement of financial condition of Midchester Capital, LLC (the "Company") as of December 31, 2006, and the related statements of operations, changes in members' 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. 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 Midchester Capital, LLC as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information 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.

*Marx Lange Gutterman LLP*  
New York, New York  
January 25, 2007

**MIDCHESTER CAPITAL, LLC**  
**Statement of Financial Condition**  
**December 31, 2006**

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**ASSETS**

Cash and cash equivalents	\$ 29,357
Prepaid expenses	794

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<b>Total assets</b>	<b>\$ 30,151</b>
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**LIABILITIES AND MEMBERS' EQUITY**

Accrued expenses and other liabilities	\$ 18,073
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Members' equity	12,078
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<b>Total liabilities and members' equity</b>	<b>\$ 30,151</b>
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*The accompanying notes are an integral part of these financial statements.*

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**MIDCHESTER CAPITAL, LLC**  
**Statement of Operations and Changes in Members' Equity**  
**Year Ended December 31, 2006**

<b>Revenues</b>	<b>\$ 30,000</b>
<b>Expenses</b>	
Professional and consulting fees	46,777
Rent and occupancy costs	10,500
Regulatory fees	6,009
Communications	3,400
Travel and entertainment	6,077
Other operating expenses	6,509
<b>Total expenses</b>	<b>79,272</b>
<b>Net loss</b>	<b>(49,272)</b>
<b>Members' equity, January 1, 2006</b>	<b>7,000</b>
<b>Members' contributions</b>	<b>54,350</b>
<b>Members' equity, December 31, 2006</b>	<b>\$ 12,078</b>

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

**MIDCHESTER CAPITAL, LLC**  
**Statement of Cash Flows**  
**Year Ended December 31, 2006**

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<b>Cash flows from operating activities:</b>	
Net loss	\$ (49,272)
Adjustments to reconcile net income to net cash used by operating activities:	
Increase in prepaid expenses	(794)
Increase in accounts payable and accrued expenses	18,073
<hr/>	
<b>Net cash used by operating activities</b>	<b>(31,993)</b>
<b>Cash flows from financing activities:</b>	
Members' contributions	54,350
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<b>Net increase in cash and cash equivalents</b>	<b>22,357</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>7,000</b>
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<b>Cash and cash equivalents, end of year</b>	<b>\$ 29,357</b>
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*The accompanying notes are an integral part of these financial statements.*

**MIDCHESTER CAPITAL, LLC**  
**Notes to Financial Statements**  
**Year Ended December 31, 2006**

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1. **Organization and Nature of Business**

Midchester Capital, LLC (the "Company") was organized as a limited liability company on December 7, 2005 under the State of Delaware and is subject to the provisions of the Delaware Limited Liability Company Act. The Company became a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and a member of the National Association of Security Dealers (the "NASD") on June 14, 2006. The accompanying financial statements include the results of operations of Midchester Capital, LLC for the year ended December 31, 2006. The Company operates primarily as an agent that assists issuers in executing Equity Private Placements for which it earns fees.

2. **Summary of Significant Accounting Policies**

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents consist of highly liquid investments with a maturity of three months or less when purchased.

**Income Taxes**

No provision has been made for Federal or NYS income taxes since the Company is treated like a partnership under the Internal Revenue Code and NYS Partnership tax law whereby its income will be taxed directly to its members. The Company is subject the New York City Unincorporated Business Tax. The financial statements for December 31, 2006 do not include a provision for income due to the current year net loss.

3. **Related Parties**

The Company subleases the premises from one of its members. The lease commenced on June 1, 2006 and is due to expire on April 30, 2007. The current monthly rent is \$1,500.

4. **Concentration of Credit Risk**

The Company maintains cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**MIDCHESTER CAPITAL, LLC**  
**Notes to Financial Statements**  
**Year Ended December 31, 2006**

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5. **Net Capital Requirements**

The Company is subject to the SEC 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 8 to 1. At December 31, 2006 the Company had net capital of \$10,779, which was \$5,779 in excess of its required net capital of \$5,000. The Company's ratio of aggregate indebtedness to net capital was 1.7 to 1.



# Supplemental Information

**MIDCHESTER CAPITAL, LLC**  
**Computation of Net Capital**  
**Under Rule 15c3-1 of the Securities and Exchange Commission**  
**As of December 31, 2006**

<b>Computation of net capital:</b>	
Total members' equity	\$ 12,078
<b>Less: non allowable assets</b>	(794)
haircuts on money market funds	(505)
<b>Net capital</b>	<b>\$ 10,779</b>
<b>Minimum net capital required</b>	<b>\$ 5,000</b>
<b>Excess net capital</b>	<b>\$ 5,779</b>
<b>Total aggregate indebtedness</b>	<b>\$ 18,073</b>
<b>Ratio of aggregate indebtedness to net capital</b>	<b>1.7 : 1</b>

There were no material differences between the audited Computation of Net Capital included above and the corresponding schedule included in the Company's unaudited December 31, 2006 Part IIA FOCUS filing

**MIDCHESTER CAPITAL, LLC**  
**Computation of Reserve Formula**  
**Pursuant to Rule 15c3-3**  
**December 31, 2006**

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Exemption claimed under Rule 15c3-3(k)(2)(ii).

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**Supplementary Report  
Of Independent Auditors**

Certified Public Accountants

Supplementary Report of Independent Auditors  
on Internal Control Required by SEC Rule 17a-5  
of the Securities Exchange Act of 1934

The Board of Directors and Members of  
Midchester Capital, LLC

In planning and performing our audit of the financial statements and supplemental schedules of Midchester Capital, LLC (the "Company") for the year ended December 31, 2006, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 security 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: (i) in making quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13, (ii) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System or (iii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 or 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control including 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 were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use by the Board of Directors management, the Securities and Exchange Commission, National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specified parties.

*Manf. Lauge, Robinson LLP*

New York, New York  
January 25, 2007