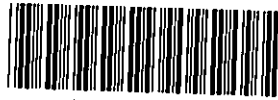




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**ANNUAL AUDITED REPORT
 FORM X-17A-5
 PART III**

SEC FILE NUMBER
 8-50630

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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Kalos Capital, Inc.
 ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
3780 Mansell Rd. Ste. 150

OFFICIAL USE ONLY
 FIRM I.D. NO.

Alpharetta GA 30022
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Carol Wildermuth 678-356-1100
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Smith & Howard
(Name - if individual, state last, first, middle name)
171 17th Street, N.W., Ste. 900 Atlanta GA 30363
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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**THOMSON
FINANCIAL**

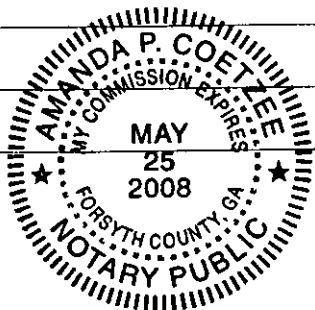
FOR OFFICIAL USE ONLY

*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)

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OATH OR AFFIRMATION

I, Carol Wildermuth, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Kalos Capital, Inc., 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:



Carol Wildermuth
Signature

COO
Title

Amanda P. Coetzee

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).

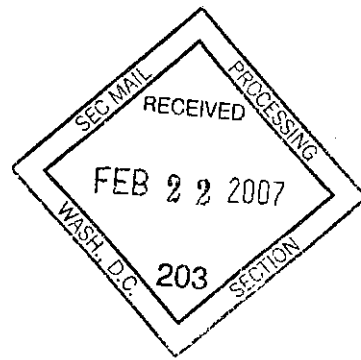


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SMITH & HOWARD

Certified Public Accountants and Advisers

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Kalos Capital, Inc.
Atlanta, Georgia**

We have audited the accompanying balance sheet of Kalos Capital, Inc., at December 31, 2006, and the related statements of income, stockholders' equity and cash flows for the year then ended. 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 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 Kalos Capital, Inc. at 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 of America.

Smith + Howard

February 13, 2007

**KALOS CAPITAL, INC.
BALANCE SHEET
DECEMBER 31, 2006**

ASSETS

Current Assets	
Cash	\$ 60,592
Accounts receivable	29,393
Investments	<u>7,805</u>
	<u>\$ 97,790</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities	
Accounts payable	\$ 3,029
Stockholders' Equity	
Common Stock, \$1 par value, 100 shares authorized, issued and outstanding	100
Paid-in Capital	50,900
Retained Earnings	<u>43,761</u>
	<u>94,761</u>
	<u>\$ 97,790</u>

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

KALOS CAPITAL, INC.
STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2006

Revenues	
Commissions and fee income	\$ 1,154,188
Expenses (Note 3)	<u>1,140,363</u>
	13,825
Other Income	
Unrealized loss on investments	(542)
Interest income	<u>710</u>
	<u>168</u>
Net Income	<u><u>\$ 13,993</u></u>

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

KALOS CAPITAL, INC.
STATEMENT OF STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2006

	Common Stock \$1 Par Value		<u>Paid-in Capital</u>	<u>Retained Earnings</u>
	<u>Number of Shares</u>	<u>Amount</u>		
Balance at December 31, 2005	100	\$ 100	\$ 50,900	\$ 89,768
Net Income				13,993
Distributions	-	-	-	<u>(60,000)</u>
Balance at December 31, 2006	<u>100</u>	<u>\$ 100</u>	<u>\$ 50,900</u>	<u>\$ 43,761</u>

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

KALOS CAPITAL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities	
Cash received from customers	\$ 1,188,255
Cash paid to suppliers and employees	(1,147,123)
Interest received	710
Net Cash Provided by Operating Activities	<u>41,842</u>
 Cash Flows From Investing Activities	
Acquisition of investment	<u>(489)</u>
Net Cash Required by Investing Activities	<u>(489)</u>
 Cash Flows From Financing Activities	
Distributions paid	<u>(60,000)</u>
Net Cash Required by Financing Activities	<u>(60,000)</u>
 Decrease in Cash	(18,647)
 Cash at Beginning of Year	<u>79,239</u>
 Cash at End of Year	<u>\$ 60,592</u>
 Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Net Income	\$ 13,993
 Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Unrealized loss on investments	542
Decrease in accounts receivable	34,067
Decrease in accounts payable	<u>(6,760)</u>
Total adjustments	<u>27,849</u>
 Net Cash Provided by Operating Activities	<u>\$ 41,842</u>

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

KALOS CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Kalos Capital, Inc. (the Company) was formed on September 26, 1997 under another corporate name. The Company became Kalos Capital, Inc. under a state certification of name change amendment on October 30, 1997. The Company is a registered broker and dealer in securities and operates under the provisions of the Securities Exchange Act of 1934.

Cash and Cash Equivalents

The Company considers all cash and money market investments with maturities of three months or less to be cash equivalents.

Accounts Receivable

The Company considers current accounts receivable to be fully collectible and historically has incurred insignificant bad debt losses. Accordingly, no allowance for doubtful accounts is provided in the accompanying financial statements. If amounts become uncollectible, they will be charged to operations when that determination is made.

Income Taxes

The Company has elected to be taxed under the S corporation provision of the Internal Revenue Code. Under this provision the Company does not pay corporate income taxes on its taxable income. Instead, the stockholders are liable for individual income taxes on their respective shares of the Company's taxable income. Accordingly, the accompanying financial statements do not include a provision or liability for income taxes.

KALOS CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 2 – NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commissions' Uniform Net Capital Rule (Rule 15c3-1) which requires that the ratio of aggregate indebtedness to net capital, both as defined in the Rule, shall not exceed one thousand percent of its net capital and shall at all times have and maintain net capital of not less than \$5,000.

Net capital and the related aggregate indebtedness to net capital ratio fluctuate on a daily basis; however, there was no aggregate indebtedness at December 31, 2006 and the net capital was \$55,946.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Company shares various office expenses and salaries with a company under common ownership (Affiliate). Amounts paid to this Affiliate during 2006 for shared expenses were \$202,500.

SUPPLEMENTARY INFORMATION

SMITH & HOWARD

Certified Public Accountants and Advisers

**Board of Directors
Kalos Capital, Inc.
Atlanta, Georgia**

Our audit was made for the purpose of forming an opinion on the basic financial statements of Kalos Capital, Inc. taken as a whole. The supplementary information presented hereinafter is presented for purposes of additional analysis and to meet specific requirements of the U. S. Securities and Exchange Commission pursuant to Section 17 of the Securities Act of 1934 and Rule 17a-5 thereunder, and is not a required part of the basic financial statements. 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.

The accompanying supplementary information (schedules) have been prepared solely for filing with regulatory agencies and are not intended for any other purpose. This supplementary information (schedules) has been prepared in conformity with the accounting practices by the U. S. Securities and Exchange Commission pursuant to Section 17 of the Securities Act of 1934 and Rule 17a-5 thereunder, and is not intended to be presented in conformity with generally accepted accounting principles.

Smith & Howard

February 13, 2007

KALOS CAPITAL, INC.
SCHEDULE OF COMPUTATION OF NET CAPITAL AND RECONCILIATION
OF UNAUDITED COMPUTATION OF NET CAPITAL TO AUDITED
COMPUTATION OF NET CAPITAL
YEAR ENDED DECEMBER 31, 2006

	<u>UNAUDITED</u>	NET CHANGE INCREASE (DECREASE)	<u>AUDITED</u>
Total ownership equity from balance sheet at December 31, 2006	\$ 94,761	\$ -	\$ 94,761
Add: liabilities subordinated to claims of general creditors	-	-	-
Add: other allowable credits: excess fidelity bond deduction	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Total capital and allowable subordinated liabilities and credits at December 31, 2006	89,761	-	89,761
Deduct: total non-allowable assets from balance sheet at December 31, 2006	<u>(33,113)</u>	<u>-</u>	<u>(33,113)</u>
Net capital before haircuts on security positions at December 31, 2006	56,648	-	56,648
Haircuts on securities at December 31, 2006	<u>(702)</u>	<u>-</u>	<u>(702)</u>
Net capital at December 31, 2006	<u>\$ 55,946</u>	<u>\$ -</u>	<u>\$ 55,946</u>

**KALOS CAPITAL, INC.
SCHEDULE OF CHANGES IN LIABILITIES
SUBORDINATED TO GENERAL CREDITORS
YEAR ENDED DECEMBER 31, 2006**

During the year ended December 31, 2006, there were no liabilities subordinated to general creditors.

SMITH & HOWARD

Certified Public Accountants and Advisers

**Board of Directors
Kalos Capital, Inc.
Atlanta, Georgia**

We have audited the financial statements of Kalos Capital, Inc. at and for the year ended December 31, 2006 and have issued our report thereon, dated February 13, 2007. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities Exchange Act of 1934. This study and evaluation included, in the accounting system, the practices and procedures followed by the Company in making the periodic computations of net capital under Rule 17a-3(a)(11). Rule 17a-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the date of our audit would be disclosed. The purposes of our study and evaluation were to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Company's financial statements and to provide a basis of reporting material weaknesses in internal accounting control under Rule 17a-5. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Company claims exemption from the computation for determination of reserve requirements pursuant to Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 whereby all customer transactions are cleared through another broker dealer on a fully disclosed basis and therefore no transactions are cleared through the Company. We have reviewed the terms and conditions pursuant to Rule 15c3-3 and found the Company in compliance with the exemption requirements.

The management of the Company is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets 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 accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate. Our study and evaluation, described in the first paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Company taken as a whole. However, our study and evaluation did not disclose any conditions that we believe to be material weaknesses.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies pursuant to their requirements and should not be used for any other purpose.

Smith & Howard

February 13, 2007

END