

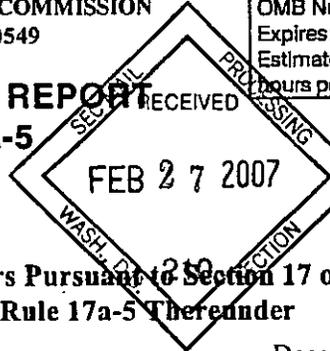


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
8-065772

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: Dragonfly Capital Partners, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1310 S. Tryon St., Suite 109

Charlotte NC 28203
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Don W. Millen, Jr. 704-342-3491
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Vance Flouhouse & Garges, PLLC

2115 Rexford Road, Suite 100 Charlotte NC 28211
(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 09 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)

SEC 1410 (06-02)

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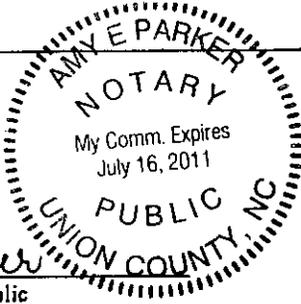
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OATH OR AFFIRMATION

I, Don W. Millen, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dragonfly Capital Partners, 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:

No exceptions noted.

Amy E. Parker
Notary Public



Don W. Millen, Jr.
Signature
President
Title

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).

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL INFORMATION

DRAGONFLY CAPITAL PARTNERS, LLC

DECEMBER 31, 2006

DRAGONFLY CAPITAL PARTNERS, LLC

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VANCE FLOUHOUSE & GARGES, PLLC
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Dragonfly Capital Partners, LLC
Charlotte, North Carolina

We have audited the accompanying balance sheets of Dragonfly Capital Partners, LLC (a North Carolina Limited Liability Company) as of December 31, 2006 and 2005 and the related statements of operations, member equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Dragonfly Capital Partners, LLC as of December 31, 2006 and 2005, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10-14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audits 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.

Vance Flouhouse & Garges PLLC

Charlotte, North Carolina
February 19, 2007

DRAGONFLY CAPITAL PARTNERS, LLC

BALANCE SHEETS

December 31,

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 6,913	\$ 7,848
Prepaid expenses	<u>1,500</u>	<u>-</u>
Total assets	<u>\$ 8,413</u>	<u>\$ 7,848</u>
MEMBER EQUITY		
Member equity	<u>\$ 8,413</u>	<u>\$ 7,848</u>
Total member equity	<u>\$ 8,413</u>	<u>\$ 7,848</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

STATEMENTS OF OPERATIONS

For the years ended December 31,

	<u>2006</u>	<u>2005</u>
Fee income	\$ 814,887	\$ 176,375
Interest income	275	176
	<u>815,162</u>	<u>176,551</u>
Commissions	801,969	167,156
Licenses and permits	3,307	3,843
Rent	4,800	4,800
Utilities	1,200	1,200
Professional fees	2,490	2,490
Other operating expenses	831	568
	<u>814,597</u>	<u>180,057</u>
Net income (loss)	<u>\$ 565</u>	<u>\$ (3,506)</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC
STATEMENTS OF CHANGES IN MEMBER EQUITY

For the years ended December 31,

	<u>2006</u>	<u>2005</u>
Balance at beginning of year	\$ 7,848	\$ 11,354
Net income (loss)	565	(3,506)
Balance at end of year	<u>\$ 8,413</u>	<u>\$ 7,848</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 565	\$ (3,506)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in:		
Prepaid expenses	(1,500)	1,500
Increase (decrease) in:		
Accounts payable	<u>-</u>	<u>(13,334)</u>
Net cash provided by (used in) operating activities	<u>(935)</u>	<u>(15,340)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(935)	(15,340)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,848</u>	<u>23,188</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 6,913</u>	<u>\$ 7,848</u>

See notes to financial statements

DRAGONFLY CAPITAL PARTNERS, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Dragonfly Capital Partners, LLC, a North Carolina partnership, was formed in November, 2002. The company is a merchant-banking firm headquartered in Charlotte, North Carolina, serving small and middle-market companies in the southeastern United States. The company offers unbiased advice and assistance to clients regarding private capital placements, mergers and acquisitions, and other financial assignments.

At December 31, 2006, Dragonfly Capital Partners, LLC was a member in good standing with the Security Investor Protection Corporation (SIPC).

Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid investments, which are readily convertible into known amounts of cash and have a maturity of three months or less when acquired to be cash equivalents.

Management's 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 dates of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates.

Income Taxes

The Company is a limited liability company in which all elements of income and deductions are included in the tax return of the member of the Company. Therefore, no income tax provision is recorded by the Company.

SUPPLEMENTAL INFORMATION

DRAGONFLY CAPITAL PARTNERS, LLC

COMPUTATION OF NET CAPITAL

December 31,

	<u>2006</u>	<u>2005</u>
COMPUTATION OF NET CAPITAL		
Total ownership equity from statement of financial condition	\$ 8,413	\$ 7,848
Deduct ownership equity not allowable for net capital	-	-
Total ownership equity qualified for net capital	<u>8,413</u>	<u>7,848</u>
Liabilities subordinated to claims of general creditors	-	-
Total nonallowable assets (Central Registration Depository and Prepays)	<u>1,749</u>	<u>158</u>
Net capital	<u>\$ 6,664</u>	<u>\$ 7,690</u>
COMPUTATION OF NET CAPITAL REQUIREMENT		
(A) Minimum net capital requirement (6 2/3% of total aggregate indebtedness)	\$ -	\$ -
(B) Minimum dollar net capital requirement of reporting broker dealer and minimum net capital requirements of subsidiaries	<u>5,000</u>	<u>5,000</u>
Net capital requirement (greater of A or B above)	<u>5,000</u>	<u>5,000</u>
Excess net capital	<u>1,664</u>	<u>2,690</u>
Excess net capital at 1000% (Net capital less 10% of total aggregate indebtedness)	<u>\$ 6,664</u>	<u>\$ 7,690</u>
COMPUTATION OF AGGREGATE INDEBTEDNESS		
Total aggregate indebtedness (Accounts payable)	-	-
Percentage of aggregate indebtedness to net capital	0.00%	0.00%

See notes to financial statements

Dragonfly Capital Partners, LLC

CRD #125199

FYE 12/31/06

Oath/Affirmation of Truthfulness

Dragonfly Capital Partners, LLC ("DFCP") is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

The Financial Statements and computations of Net Capital for the period ending December 31, 2006 included herein are prepared according to General Accepted Accounting Procedures ("GAAP") and are true and correct.



Don W. Millen, Jr.
President

Dragonfly Capital Partners, LLC

CRD #125199

FYE 12/31/06

SEC Rule 15c3-3 Reserve Requirement

Dragonfly Capital Partners, LLC ("DFCP") is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

DFCP does not hold customer funds or safe keep customer securities and operates pursuant to SEC Rule 15c3-3(k)(2)(i).

DFCP is thus exempt from the reserve requirements under SEC Rule 15c3-3.



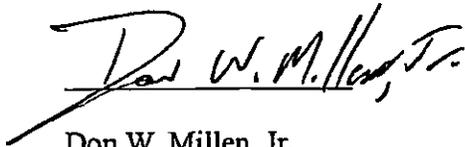
Don W. Millen, Jr.
President

Dragonfly Capital Partners, LLC
CRD #125199
FYE 12/31/06

SEC Rule 17a-5(d)(4) – Reconciliation Statement

Dragonfly Capital Partners, LLC (“DFCP”) is a \$5,000 net capital member broker/dealer under SEC Rule 15c3-1(a)(2)(vi).

No material differences exist between the DFCP’s audited Net Capital computation under SEC Rule 15c3-1 and its Focus IIA quarterly filing under 17a-5(a).



Don W. Millen, Jr.
President



VANCE FLOUHOUSE & GARGES, PLLC
Certified Public Accountants and Consultants

Dragonfly Capital Partners, LLC

CRD #125199

SEC 8-65772

FYE 12/31/06

SEC Rule Section 240.17a-5(j) – Accountant’s Report on Material Inadequacies

Under SEC Rule 17a-5(j) and 17a-5(g), no material inadequacies were found to exist at Dragonfly Capital Partners, LLC (“DFCP”) as the result of our audit for the year ended December 31, 2006.

As stated in our Independent Auditor’s Report, the financial statements of DFCP including the computation of aggregate indebtedness and net capital under 17a-3(a)(11) were presented in accordance with generally accepted accounting principles.
SEC Rule 17a-5(g)(1)(i).

No securities were held by DFCP at December 31, 2006 and DFCP was in compliance with SEC Rule 17a-5(g)(1)(ii), (iii) and (iv)

This note shall serve as a supplemental report to the December 31, 2006 audit report of DFCP.

Vance Flouhouse & Garges PLLC

Charlotte, North Carolina
February 19, 2007

END