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AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER  
8- 52610

**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: ABI Capital Management, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

111 Nineteenth Street North

(No. and Street)

Birmingham

(City)

AL

(State)

35203

(Zip Code)

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

Carlton Martin

205.320.0310

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Caston Long & Company, LLC

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

2100 SouthBridge Parkway

(Address)

Birmingham

(City)

AL

(State)

35209

(Zip Code)

CHECK ONE:

Certified Public Accountant

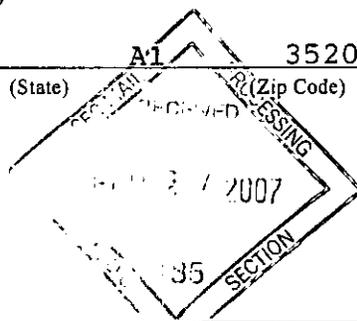
Public Accountant

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)

AB  
3/22

OATH OR AFFIRMATION

I, CARLTON MARTIN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ATDI CAPITAL MANAGEMENT, 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:

Carlton Martin

Signature

FINOP

Title

Jennifer L. Lerner

Notary Public

my commission expires 10-2-08

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).



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
ABI Capital Management, LLC  
Birmingham, Alabama

We have audited the accompanying statement of financial condition of ABI Capital Management, LLC (the Company) as of December 31, 2006 and the related statement of income and 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 in 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 aspects, the financial position of ABI Capital Management, LLC at December 31, 2006, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principle.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III, 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 17 a-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.

A handwritten signature in cursive script that reads 'Caston Long &amp; Company, LLC'.

February 22, 2007

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Telephone 205.414.7520                      Facsimile 205.854.4904

**ABI CAPITAL MANAGEMENT, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2006**

**ASSETS**

Cash and equivalents	\$ 307,829
Commissions receivable	547
Municipal syndicate receivable	78,976
Prepaid assets	<u>199</u>
Total current assets	<u>387,551</u>
Total assets	<u>\$ 387,551</u>

**LIABILITIES AND MEMBERS' EQUITY**

Accounts payable	\$ 57,399
Accrued expenses	<u>4,151</u>
Total current liabilities	61,550
Members' equity	<u>326,001</u>
Total liabilities and members' equity	<u>\$ 387,551</u>

**ABI CAPITAL MANAGEMENT, LLC**  
**STATEMENT OF INCOME (LOSS) and MEMBERS' EQUITY**  
**For the Year Ended December 31, 2006**

REVENUES

Commissions	\$ 350,667
Total revenue	<u>350,667</u>

OPERATING EXPENSES

Selling	37,142
General and administrative	28,614
Rent	20,992
Salaries and wages	203,761
Other	<u>22,464</u>
Total expenses	<u>312,973</u>

Revenue (loss) from operations	37,694
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OTHER INCOME	<u>10,737</u>
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Net income (loss)	48,431
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MEMBERS' EQUITY AT JANUARY 1,	<u>277,570</u>
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MEMBERS' EQUITY AT DECEMBER 31	<u>\$ 326,001</u>
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See the accompanying notes and auditors' report

**ABI CAPITAL MANAGEMENT, LLC**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2006**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income (loss)	\$ 48,431
Changes in operating assets and liabilities:	
Commissions receivable	233
Municipal syndicate profits receivable	
Corporate syndicate profits receivable	(78,976)
Other receivables	
Prepaid expenses	45
Accounts payable	50,635
Accrued expenses	(5,005)
	<hr/>
Net cash provided (used) by operating activities	(33,068)
	<hr/>
Net increase (decrease) in cash	15,363
Cash at the beginning of the year	292,466
	<hr/>
Cash at the end of the year	\$ 307,829
	<hr/>

See accompanying notes and auditors' report

**ABI CAPITAL MANAGEMENT, LLC**  
**Notes to Financial Statements**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of ABI Capital Management, LLC (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representative of the members who are responsible for their integrity and objectivity. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

*Formation And Scope of Operations -*

ABI Capital Management, LLC is an Alabama limited company and began operations in November 2000. The Company is located in Birmingham, Alabama.

The various financial services provided to clients by the Company include:

- ❖ Conducting business as a broker-dealer in selling corporate debt securities;
- ❖ Underwriting/Seller group participant;
- ❖ United States Government Securities broker;
- ❖ Municipal securities broker; and
- ❖ Investment advisory services.

The company is registered with the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934 and is a member of the National Association of Securities Dealers (NASD), Inc.

*Estimates -*

The preparation of financial statements in conformity with accepted accounting principles generally accepted in the United States of America requires management to make estimates concerning certain assets and liabilities at the date of the financial statements and certain revenues and expenses during the reporting period. Actual results could differ from these estimates.

*Clearing Agreement -*

The Company clears its customer transactions through another broker-dealer on a fully disclosed basis.

**ABI CAPITAL MANAGEMENT, LLC**  
**Notes to Financial Statements**

**NOTE A      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,**  
**(Continued)**

Clearing Agreement –(continued)

The Company maintains a clearing deposit with its clearing broker. The deposit amount at December 31, 2006 was \$ 25,030.

Recognition of Revenues -

Commissions and related clearing expenses are recorded on a trade-date basis as *securities transactions occur*.

Underwriting revenues are recorded at the time a transaction is completed and the related income is reasonable determinable.

Income Taxes -

The Company is treated as a partnership for federal and state income tax purposes. Consequently, federal and state income taxes are not payable by, or provided for, the Company. Members are taxed individually on their pro rata shares of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the regulations of the Company.

**NOTE B      LEASES**

The Company leases its facilities under a non-cancelable operating lease. Future minimum lease payments under these circumstances are:

Year ending December 31,	2007	\$ 22,992
	2008	22,992
	2009	23,200
	2010	23,200
	2011	<u>23,200</u>
		\$ <u>115,584</u>

Rent expense under leases was \$ 20,992 for the year ended December 31, 2006.

**NOTE C      NET CAPITAL REQUIREMENTS**

ABI Capital Management, LLC is subject to net capital rules requirements of the Uniform Net Capital Rule (SEC rule 15c3-1) the Securities Exchange Act of 1934, which requires the maintenance of a minimum net capital and requires that the ratio of

**ABI CAPITAL MANAGEMENT, LLC**  
Notes to Financial Statements

**NOTE C      NET CAPITAL REQUIREMENTS, (Continued)**

aggregate indebtedness to net capital, both as defined, shall not exceed 800 percent of its net capital at all times.

The Company is a registered introducing broker participating in firm commitments as an underwriter. The rules require that ABI Capital Management, LLC maintain a minimum net capital of not less than \$ 100,000. At December 31, 2006, the Company's net capital of \$ 320,817 was 81.0 percent of aggregate indebtedness and \$ 220,817 in excess of the minimum net capital required.

**NOTE D      RECEIVABLES FROM BROKER DEALERS and ALLOWANCE for DOUTBFUL ACCOUNTS**

The balance presented as receivable from broker dealers consist of commissions due from trades and underwriting fees earned from participating in municipal bond purchases and sales as an underwriter/seller group participate. Due to the nature of the company's business and underwriter's contracts in effect for bond issues, no allowance for doubtful accounts is necessary.



**Independent Auditors' Report on Supplementary Information  
Required by Rule 17a-5 of the Securities and Exchange Commission**

Board of Directors  
ABI Capital Management, LLC

We have audited the accompanying financial statements of ABI Capital Management, LLC as of and for the year ended December 31, 2006, and have issued our report thereon dated February 22, 2007. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I, II, and III 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.

A handwritten signature in black ink, appearing to read 'Caston Long &amp; Company, LLC', is written over the printed name of the company.

February 22, 2007

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**ABI CAPITAL MANAGEMENT, LLC**  
**Computation of Net Capital Under Rule**  
**15c - 3 - 1 of the Security and Exchange Commission**  
**As of December 31, 2006**

Net Capital:	
Total members' equity qualified for net capital	\$ 326,001
Deductions and/or charges:	
Nonallowable assets:	
Commissions receivable in excess of 30 days	547
Amount in excess of required clearing account	30
Other assets	199
	<u>776</u>
Net capital before haircuts on security positions	<u>325,225</u>
Haircuts on securities:	
Money market securities	4,008
Certificates of deposit	400
	<u>4,408</u>
Net Capital	<u><u>\$ 320,817</u></u>
Aggregate indebtedness:	
Items included in the statement of financial condition	
Commission payables	57,399
Payroll liabilities	4,151
	<u>61,550</u>
Total aggregate indebtedness	<u><u>\$ 61,550</u></u>
Computation of basic net capital requirement:	
Minimum net capital required	<u><u>\$ 4,105</u></u>
Excess net capital at 1500%	<u><u>\$ 316,712</u></u>
Excess net capital @ 1,000%	<u><u>\$ 314,662</u></u>
Ratio: Aggregate indebtedness to net capital	<u>0.19 to 1</u>

**ABI CAPITAL MANAGEMENT, LLC**  
**Computation of Net Capital Under Rule**  
**15c - 3 -1 of the Security and Exchange Commission**  
**As of December 31, 2006**

Reconciliation with company's computation (included in  
Part II of Form X-17a - 5 as of December 31, 2006)

Net capital as reported in Company's Part II (unaudited) FOCUS report	\$ 320,818
Audit differences, effect of rounding amounts	<u>1</u>
Net capital per audit	<u>\$ 320,817</u>

**Schedule III**

**ABI Capital Management, LLC  
Information Relating to Possession or Control  
Requirements Under Rule 15c 3-4 of the  
Securities and Exchange Commission  
As of December 31, 2006**

The Company is exempt from SEC Rule 15c3-3 under the exemptive provisions of the rule. The Company does not carry securities accounts for customers. All customer transactions cleared through another broker-dealer on a fully disclosed basis.



**Report on Internal Control Required  
By SEC Rule 17a-5 for a  
Broker-Dealer Claiming an Exemption  
From SEC rule 15c 3-3**

To the Board of Directors  
ABI Capital Management, LLC  
Birmingham, Alabama

In planning and performing our audit of ABI Capital Management, 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 (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-4. 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.
2. Recordation of differences required by rule 17a-13.
3. 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 above-mentioned objectives. Two of the objectives of internal control and the practices and procedures

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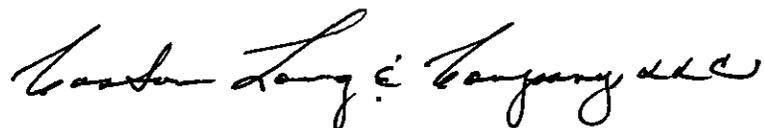
are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against the loss from authorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitation 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 a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that 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 of the Board of Directors, management, the SEC, National Association of Security Dealers 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.



February 22, 2007

END