



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

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

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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 01/01/2006 AND ENDING 12/31/2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SMITHER & COMPANY CAPITAL MARKETS, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

4337 COX ROAD

(No. and Street)

GLEN ALLEN

(City)

VA

(State)

23060

(Zip Code)

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

KENNETH W. SMITHER

(804) 270-5488

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

BDO SEIDMAN, LLP

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

300 ARBORETUM PLACE, SUITE 520

(Address)

RICHMOND

(City)

VA

(State)

23236

(Zip Code)

CHECK ONE:

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

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
PROCESSED
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THOMSON FINANCIAL

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*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)

MT
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MM

OATH OR AFFIRMATION

I, KENNETH W. SMITHER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SMITHER & COMPANY CAPITAL MARKETS, 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:

Kenneth W. Smither
Signature
President
Title

James K. Shupe
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).

Smither & Company Capital Markets, LLC

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Independent Auditors' Report

Board of Directors
Smither & Company Capital Markets, LLC

We have audited the accompanying statement of financial condition of Smither & Company Capital Markets, LLC as of December 31, 2006, and the related statements of operations, changes in member's capital, and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 of the Securities and 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 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 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 financial statements, 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 Smither & Company Capital Markets, 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 of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary 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 of the Securities and Exchange Commission. 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.

BDO Seidman, LLP

February 19, 2007

Smither & Company Capital Markets, LLC

Statement of Financial Condition
December 31, 2006

Assets

Cash and cash equivalents	\$45,513
Securities (Note 3)	29,426
Prepaid and other	75
Total assets	\$75,014

Liabilities and Member's Capital

Liabilities	
Accrued expenses	\$ 2,333
Member's capital	72,681
Total liabilities and member's capital	\$75,014

See accompanying notes to financial statements.

Smither & Company Capital Markets, LLC

Statement of Operations
Year Ended December 31, 2006

Revenues	\$307,566
Expenses	10,400
Occupancy	5,024
Unrealized loss on investments	16,769
General and administrative	
Total expenses	32,193
Net income	\$275,373

See accompanying notes to financial statements.

Smither & Company Capital Markets, LLC

Statement of Changes in Member's Capital

Balance at December 31, 2005	\$ 10,000
Capital contributions	42,771
Distributions	(255,463)
Net income	275,373
Balance at December 31, 2006	\$ 72,681

See accompanying notes to financial statements.

Smither & Company Capital Markets, LLC

Statement of Cash Flows
Year Ended December 31, 2006

Operating activities	
Net income	\$275,373
Adjustments	
Change in operating assets and liabilities, net	(27,168)
Net cash provided by operating activities	248,205
Financing activities	
Capital contributions	42,771
Member distributions	(255,463)
Net cash absorbed by financing activities	(212,692)
Net increase in cash and cash equivalents	35,513
Cash and cash equivalents, beginning of period	10,000
Cash and cash equivalents, end of period	\$ 45,513

See accompanying notes to financial statements.

Smither & Company Capital Markets, LLC

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Organization and Operations Smither & Company Capital Markets, LLC (the Company) is a Virginia limited liability company and wholly owned by Smither & Company, Inc. The Company is registered as a broker/dealer in securities under the Securities and Exchange Act of 1934 and with the National Association of Securities Dealers.

The Company's primary business is providing limited financial advisory services to privately held businesses throughout the Mid-Atlantic region.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Commissions Commissions are recognized as income on an accrual basis when the commissions are earned by the Company.

Investments Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of operations.

Income Taxes The Company has elected for income tax purposes to be treated as a Partnership and, consequently, the members will report their proportional share of the income or loss of the Company on their income tax return.

2. Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum amount of net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2006, the Company had net capital of \$66,334 and aggregate indebtedness of \$2,333.

Smither & Company Capital Markets, LLC

Notes to Financial Statements (continued)

3. Investments

Investments are carried at market value. Realized and unrealized gains and losses are reflected in the statement of operations.

The aggregate carrying amounts of investments by major type as of December 31, 2006 are summarized as follows:

Corporate securities	\$29,426
	<hr/>
	\$29,426

Independent Auditors' Supplementary Report on Internal Control

Board of Directors
Smither & Company Capital Markets, LLC

In planning and performing our audit of the financial statements and supplemental information of Smither & Company Capital Markets, 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 17a5(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 compliance with such practices and procedures that we considered relevant to the criteria stated in rule 17a-5(g) in making the periodic computation 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 15c3-3. 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:

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 internal 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 criteria. Two of the criteria 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 accordance with accounting principles generally accepted in the United States. Rule 17a-5(g) lists additional criteria of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that internal control may become inadequate because of changes in conditions, or that the effectiveness of its 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 specific internal control components does not reduce to a relatively low level the risk that errors 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, and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that meet the criteria 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 meet such criteria 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 are adequate at December 31, 2006, to meet the SEC's criteria.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities 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.

BDO Seidman, LLP

February 19, 2007

Smither & Company Capital Markets, LLC

Schedule I – Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1

December 31, 2006

Aggregate indebtedness	\$ 2,333
Member's capital	72,681
Less:	
Non-allowable assets	<u>6,347</u>
Net capital	<u>\$66,334</u>
Capital requirements	
Minimum net capital requirement (greater of \$5,000 or 6 $\frac{2}{3}$ % aggregate indebtedness to net capital)	\$ 5,000
Net capital in excess of requirements	<u>61,334</u>
Net capital as above	<u>\$66,334</u>
Ratio of aggregate indebtedness to net capital	<u>.04 to 1</u>

Smither & Company Capital Markets, LLC

**Schedule II – Computation for Determination of Reserve
Requirements and Information Relating to Possession
or Control Requirements Under Rule 15c3-3**

December 31, 2006

The Company claims exemption from the provisions of Rule 15c3-3 under subparagraph (k)(2)(i).

END