

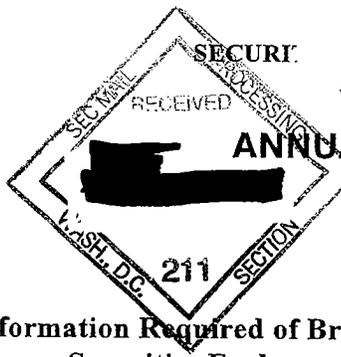
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OMB Number:	3235-0123
Expires:	October 31, 2004
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 44225

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 April 1, 2010 AND ENDING March 31, 2011  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Capital Portfolio Management, Inc.

OFFICIAL USE ONLY

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

FIRM I.D. NO.

2205 York Road, Suite 203

(No. and Street)

Timonium  
(City)

Maryland  
(State)

21093  
(Zip Code)

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

Patrick V. Dyer

(410) 667-4575

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Smyth & Ward, P.A.

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

Executive Plaza III, Suite LL5, Hunt Valley,

(Address)

(City)

MD 21031
SECURITIES AND EXCHANGE COMMISSION
RECEIVED
MAY 25 2011
REGISTRATIONS BRANCH
14

CHECK ONE:

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

**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)

KH 5/27

OATH OR AFFIRMATION

I, Patrick V. Dyer, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Capital Portfolio Management, Inc., as of March 31, 2011, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*My commission expires 2/3/14*

*Patrick V. Dyer*  
Signature  
President  
Title

*Mary Patricia Walker Miles*  
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.

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

**CAPITAL PORTFOLIO MANAGEMENT, INC.**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**

**(Pursuant to Rule 17a-5 of the Securities and Exchange Commission)**

**For the year ended March 31, 2011**

CAPITAL PORTFOLIO MANAGEMENT, INC.

Table of Contents

	<u>Page(s)</u>
Independent Auditor's Report	1
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
Supplementary Schedules:	
Schedule I	11-12
Schedule II	13
Schedule III	14
Schedule IV	15
Report on Internal Control Structure	16-17
SIPC Supplemental Report	18

SMYTH & WARD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

Executive Plaza III - Suite LL5  
Hunt Valley, MD 21031  
410-771-8870  
FAX 410-771-0844

25 S. Main Street  
Shrewsbury, PA 17361  
717-235-5525  
FAX 717-227-0070

Independent Auditor's Report

Board of Directors  
Capital Portfolio Management, Inc.

We have audited the accompanying statement of financial condition of Capital Portfolio Management Inc. as of March 31, 2011 and related statements of income, changes in stockholders' 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 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 Capital Portfolio Management, Inc. as of March 31, 2011 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 information contained in supplementary schedules I, II, III and IV 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 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.

  
Hunt Valley, Maryland  
May 23, 2011

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Statement of Financial Condition  
March 31, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 2,891
Deposits with clearing organizations	50,000
Marketable securities	85,900
Commissions receivable	112,032
Employee advance	<u>247,688</u>
TOTAL CURRENT ASSETS	498,511

Furniture and equipment ( at cost less accumulated depreciation of \$25,055)	3,104
--	-------

Rental security deposit	<u>3,050</u>
-------------------------	--------------

TOTAL ASSETS	<u>\$ 504,665</u>
--------------	-------------------

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$ 114,385
Payable to clearing broker	31,843
Income tax payable	<u>5,113</u>

TOTAL LIABILITIES	151,341
-------------------	---------

STOCKHOLDERS' EQUITY:

Nonconvertible preferred stock, \$1.00 par value, 100,000 shares authorized; 97,600 shares issued	488,000
Common stock, \$1.00 par value, 200,000 shares authorized, 22,000 shares issued	22,000
Retained deficit	<u>(156,676)</u>

TOTAL STOCKHOLDERS' EQUITY	<u>353,324</u>
----------------------------	----------------

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 504,665</u>
--	-------------------

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

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Statement of Income  
For the Year Ended March 31, 2011

Revenues	
Commissions	\$ 831,326
Principal transactions	22,539
Interest	<u>4,465</u>
Total revenues	858,330
Expenses	
Compensation and benefits	615,310
Floor brokerage and clearing fees	4,813
Communications	11,724
Occupancy and equipment rental	47,713
Interest	28
Other	<u>70,177</u>
Total expenses	<u>749,765</u>
Income before income taxes	108,565
Provision for income taxes	<u>6,713</u>
Net income	<u>\$ 101,852</u>

The accompanying notes are an integral part of these financial statements

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Statement of Changes in Stockholders' Equity  
For the Year Ended March 31, 2011

	<u>Capital Stock</u>		<u>Retained</u>	
	<u>Preferred</u>	<u>Common</u>	<u>Deficit</u>	<u>Total</u>
Balance March 31, 2010	\$ 488,000	\$ 22,000	\$ ( 226,098)	\$ 283,902
Net income	-----	-----	101,852	101,852
Dividends paid on preferred stock	-----	-----	( 32,430)	( 32,430)
Balance March 31, 2011	<u>\$ 488,000</u>	<u>\$ 22,000</u>	<u>\$ ( 156,676)</u>	<u>\$ 353,324</u>

The accompanying notes are an integral part of these financial statements

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Statement of Cash Flows  
For the Year Ended March 31, 2011

Cash flows from operating activities:	
Net income	\$ 101,852
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	7,581
(Increase) decrease in operating assets:	
Marketable securities	( 1,117)
Commissions receivable	( 85,524)
Income tax refund receivable	783
Employee advances	( 100,370)
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	80,971
Payable to clearing broker	29,892
Income taxes payable	4,630
Commissions payable to broker	<u>( 6,195)</u>
Net cash provided by operations	<u>32,503</u>
Cash flows from financing activities:	
Dividends paid on preferred stock	<u>( 32,430)</u>
Net cash provided by financing activities	<u>( 32,430)</u>
Net increase in cash	73
Cash, beginning of year	<u>2,818</u>
Cash, end of year	<u>\$ 2,891</u>
Supplemental Cash Flow Information	
Cash payments for:	
Interest	<u>\$ 28</u>
Federal and state income taxes	<u>\$ 1,300</u>

The accompanying notes are an integral part of these financial statements

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Notes to Financial Statements  
March 31, 2011

**1. Operations of the Company**

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company was incorporated in Maryland on August 14, 1991.

The Company is engaged in a single line of business as a securities broker-dealer, which comprises of services including principal transactions and agency transactions.

The Company forwards all securities transactions to its clearing broker, J.P. Morgan Clearing Corp., which carries and clears such transactions for the Company on a fully disclosed basis.

The Statement of Financial Condition was prepared in accordance with generally accepted accounting principles which require management to make assumptions and estimates that affect the amounts and disclosures presented. Actual results could differ from these estimates.

**2. Summary of Significant Accounting Policies**

**A. Security Transactions**

Commission revenue and expenses are recorded on a settlement date basis which does not differ materially from a trade date basis.

**B. Marketable Securities**

Marketable securities, which consist of corporate stocks and options, are recorded at market value and the resulting difference between cost and market is included in income.

**C. Office Equipment**

Office equipment is recorded at cost - \$28,159, net of accumulated depreciation of \$25,055 at March 31, 2011. Depreciation of office equipment is determined by use of an accelerated method over the estimated useful life of the asset.

**D. Statement of Cash Flows**

For purposes of the Statement of Cash Flows, the Company has defined cash equivalents as cash in checking accounts and brokerage accounts. It does not include money market investments or security deposits held as cash.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Notes to Financial Statements - Continued  
March 31, 2011

**E. Employee Benefits**

Compensated absences are generally taken as earned and do not represent a material amount. Accordingly, the Company has not accrued compensated absences.

**F. Allowance for Bad Debts**

The Company uses the direct write-off method for bad debts. Receivables are charged against income when management determines them to be uncollectible. Potential uncollectible receivables at year end are considered immaterial and therefore, no allowance for doubtful accounts has been established.

**3. Fair Values of Assets and Liabilities**

FASB ASC 820 defines fair value as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a hierarchy for disclosing assets and liabilities measured at fair value based on the inputs used to value them. The fair value hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are based on market pricing data obtained from sources independent of the company. A quoted price in an active market provides the most reliable evidence of fair value and is generally used to measure fair value whenever available. Unobservable inputs reflect management's judgment about the assumptions market participants would use in pricing the asset or liability. Where inputs used to measure fair value of an asset or liability are from different levels of the hierarchy, the asset or liability is categorized based on the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment. The fair value hierarchy includes three levels based on the objectivity of the inputs as follows:

- Level 1 inputs are quoted prices in active markets as of the measurement date for identical assets or liabilities that the Company has the ability to access. This category includes active exchange-traded equity securities and stock options.
- Level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. This category includes corporate debt securities.
- Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Notes to Financial Statements – Continued  
March 31, 2011

**Assets and Liabilities Recorded at Fair Value**

The Company's assets recorded at fair value include certain securities owned and available for sale. The Company uses prices obtained from an independent Clearing Firm to measure the fair value of certain investment securities. The Company validates prices received from the Clearing Firm using various methods including comparison to quoted market prices, where available, and review of other relevant market data including implied yields of major categories of securities. The Company does not adjust the prices received from the independent Clearing Firm unless such prices are inconsistent with FASB ASC 820 and result in a material difference in the recorded amounts. At March 31, 2011, the Company did not adjust prices received from the independent Clearing Firm. Liabilities are recorded at amounts that approximate fair value except as noted below.

The following table presents the Company's fair value hierarchy as of March 31, 2011 for assets and liabilities measured at fair value:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at Fair Value
<b>Assets</b>				
Securities available for sale	<u>\$ 85,900</u>	-----	-----	<u>\$ 85,900</u>
Total assets at fair value	<u>\$ 85,900</u>	-----	-----	<u>\$ 85,900</u>
<b>Liabilities</b>				
Total liabilities at fair value	-----	-----	-----	-----

**Fair Value of Assets and Liabilities not Recorded at Fair Value**

Cash, receivables from clearing organizations and employees, income tax payable and accounts payable and accrued expenses are short term in nature and accordingly are recorded at amounts that approximate fair value.

**4. Retirement Plan**

The Company offers a Simple IRA retirement plan for its employees. Each participating employee is permitted to contribute a portion of his compensation to the Plan. Within Plan limits, the Company is required to contribute on behalf of each eligible participant a matching percentage of the participant's salary. The Company funded \$ 3,245 to the Plan for the year ended March 31, 2011.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Notes to Financial Statements - Continued  
March 31, 2011

**5. Income Taxes**

The components of income tax expense are federal tax of \$4,305 and state income tax of \$2,408. The Company prepares its tax return on a cash basis. There is a minimal difference between the income tax expense on a cash basis versus the accrual basis for the year ended March 31, 2011, therefore, no deferred tax adjustment is required as of March 31, 2011.

**6. Lease Commitments**

The Company leases its office under a non-cancelable operating lease expiring in February 2012. At March 31, 2011, the aggregate future minimum commitment under the lease is as follows:

Year Ended March 31, 2012	<u>\$ 34,932</u>
---------------------------	------------------

**7. Credit Risk**

In the normal course of business, the Company's securities activities through its correspondent broker involve execution, settlement and financing of various securities transactions for customers. These activities may expose the Company to risk in the event customers, other brokers and dealers, bank depositories, or clearing organizations are unable to fulfill contractual obligations.

In accordance with industry practice, the Company records securities transactions executed on behalf of its customers on settlement date which is generally three business days after trade date. The risk of loss on the trade date transactions is identical to the risk inherent in settlement date transactions and relates to the customer's or broker's and dealer's inability to meet the terms of their contracts.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Notes to Financial Statements - Continued  
March 31, 2011

7. **Credit Risk - continued**

The Company does not have any significant concentration in the value of business with a particular customer, group of customer or product.

The Company has concentrated its credit risk by maintaining deposits in M&T Bank and its clearing broker, J.P. Morgan Clearing Corp. The deposits in M&T Bank may at times exceed amounts covered by the insurance provided by the U.S. Federal Deposit Insurance Company (FDIC). The deposits in the clearing broker may at times exceed amounts covered by insurance provided by the Securities Investment Protection Corporation (SIPC).

The Company has not experienced a loss in such accounts and believes it is not exposed by any significant credit risk to cash.

8. **Related Party Transactions**

Over the years, the Company has made advances to its sole common stockholder. This advance is payable on demand and bears no interest. The balance as of March 31, 2011 was \$247,688.

9. **Regulatory Requirements**

The Company is subject to the Securities and Exchange Commission's uniform Net Capital Rule (Rule 15c3-1) which requires that "aggregate indebtedness" shall not exceed 15 times "net capital" as these terms are defined by the Rule.

As of March 31, 2011, the Company's net capital was \$81,001, which exceeded the capital requirements of \$50,000 by \$31,001, and its net capital ratio was 1.87 to 1.

10. **New Accounting Pronouncements – Subsequent Events**

Management evaluated subsequent events through May 23, 2011, the date of the financial statements were available to be issued. Events or transactions occurring after March 31, 2011, but prior to May 23, 2011 that provided additional evidence about conditions that existed at March 31, 2011, have been recognized in the financial statements for the year ended March 31, 2011. Events or transactions that provided evidence about conditions that did not exist at March 31, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended March 31, 2011.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Schedule I  
Computation of Net Capital Under Rule 15c3-1 of  
The Securities and Exchange Commission  
As of March 31, 2011

NET CAPITAL	
Total stockholders' equity	\$353,324
Deduct: Stockholder's equity not allowable for net capital	<u>      ---</u>
Total stockholders' equity qualified for net capital	353,324
Deductions and/or charges:	
Total non-allowable assets	<u>254,969</u>
Net capital before haircuts on securities positions	98,355
Haircuts on securities:	
Trading and investment securities:	
Stocks and warrants	\$ 10,969
Other securities	6,385
Undue concentration	<u>      ---</u>
	<u>17,354</u>
Net Capital	<u>\$ 81,001</u>

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Schedule I – continued

Computation of Net Capital Under Rule 15c3-1 of  
The Securities and Exchange Commission  
As of March 31, 2011

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:

Account payable and accrued expenses	\$ 114,385
Payable to clearing broker	31,843
Income tax payable	<u>5,113</u>
Total aggregate indebtedness	<u>\$ 151,341</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	<u>\$ 50,000</u>
Excess net capital	<u>\$ 31,001</u>
Net capital less 120% of minimum net capital required	<u>\$ 21,001</u>
Ration: Aggregate indebtedness to net capital	<u>1.87 to 1</u>

Statement Pursuant to Paragraph (d) (4) of Rule 17a-5

We conclude that there are no material differences between this computation of net capital pursuant to Rule 15c3-1 and the corresponding computation prepared by the company and included in its unaudited Part II Focus Report filing as of the same date.

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Schedule II

Reconciliation Between Audited and Unaudited  
Statements of Financial Condition  
March 31, 2011

There were no material differences between the audited Statement of Financial Condition contained in this report and the unaudited Statement of Financial Condition included in the Company's unaudited FOCUS Report filed as of March 31, 2011.

CAPITAL PORTFOLIO MANAGEMENT, INC.

Schedule III

Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
March 31, 2011

The Company is exempt from SEC Rule 15c3-3 because it does not carry securities accounts for customers or perform custodial functions relating to customer securities. The Company is exempt pursuant to k (2) (ii).

CAPITAL PORTFOLIO MANAGEMENT, INC.  
Schedule IV

Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
March 31, 2011

The Company is exempt from SEC Rule 15c3-3 because it does not carry securities accounts for customers or perform custodial functions relating to customer securities. The Company is exempt pursuant to k (2) (ii)

SMYTH & WARD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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FAX 410-771-0844

Independent Auditor's Report on  
Internal Accounting Control  
Required by SEC Rule 17a-5(g)(1)

25 S. Main Street  
Shrewsbury, PA 17361  
717-235-5525  
FAX 717-227-0070

Board of Directors  
Capital Portfolio Management, Inc.

In planning and performing our audit of the financial statements of Capital Portfolio Management, Inc., as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 15c3-3. 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 and recordation of differences required by rule 17a-13.
2. 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 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 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and 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 practice 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, as described in the second paragraph of this report, were adequate at March 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, FINRA 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.



Hunt Valley, Maryland  
May 23, 2011

SMYTH & WARD, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS

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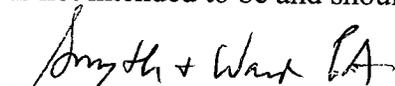
To the Board of Directors of Capital Portfolio Management, Inc.  
2205 York Road, Suite 203  
Timonium, MD 21093

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the General Assessment Reconciliation (Form SIPC-7) to the Securities Investor Protection Corporation (SIPC) for the year ended March 31, 2011, which were agreed to by Capital Portfolio Management, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Capital Portfolio Management, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Capital Portfolio Management, Inc.'s management is responsible for the Capital Portfolio Management, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement record entries in the general ledger noting no differences – only payment December 1, 2010 - \$246.85;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended March 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended March 31, 2011, noting no differences;
3. Proved the arithmetical accuracy of the calculations reflected on Form SIPC-7, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

  
Hunt Valley, Maryland  
May 23, 2011