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

SEC FILE NUMBER
B- 66433

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: **Stern Capital LLC**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

570 Lexington Avenue, Suite 301

(No. and Street)

New York

(City)

NY

(State)

10022

(Zip Code)

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

Lawrence Stern

212-832-1200

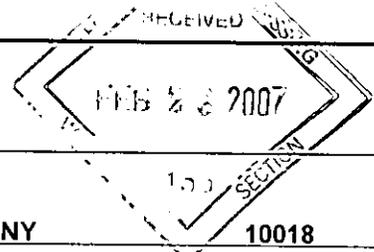
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Marx, Lange, Gutterman LLP

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



1430 Broadway

(Address)

New York

(City)

NY

(State)

10018

(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)

SEC 1410 (06-02)

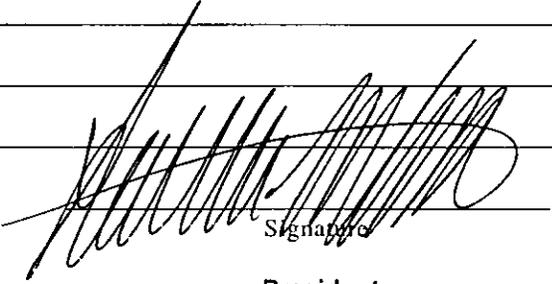
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OATH OR AFFIRMATION

I, Lawrence Stern, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stern Capital LLC, as of December 31, 20 06, 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:

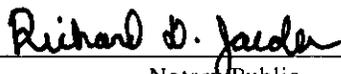
RICHARD D. JACOBSON
Notary Public, State of New York
No. 02JA5041562
Qualified In New York County
Commission Expires April 10, 2007



Signature

President

Title



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.
- (o) A report on internal control

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

**STERN CAPITAL LLC
REPORT ON AUDIT OF
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
REPORT ON INTERNAL CONTROL
DECEMBER 31, 2006**



INDEPENDENT AUDITOR'S REPORT

Board of Directors and Member of
Stern Capital LLC

We have audited the accompanying statement of financial condition of Stern Capital LLC (a limited liability company) as of December 31, 2006, and the related statements of income, changes in member's 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. 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 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 Stern Capital 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental 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 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.

Marx, Lange, Gutterman LLP

New York, New York
February 22, 2007

STERN CAPITAL LLC
Statement of Financial Condition
December 31, 2006

ASSETS

Cash and cash equivalents	\$ 164,649
Fees receivable	41,713
Prepaid expenses	22,423

Total assets	\$ 228,785
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LIABILITIES AND MEMBER'S EQUITY

Accrued expenses and other liabilities	\$ 142,018
Member's equity	86,767

Total liabilities and member's equity	\$ 228,785
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The accompanying notes are an integral part of these financial statements.

STERN CAPITAL LLC
Statement of Income and Changes in Member's Equity
Year Ended December 31, 2006

Revenues	
Fee income	\$ 295,552
Reimbursed expenses	5,205
Miscellaneous	3,044
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Total revenues	303,801
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Expenses	
Commissions	107,846
Professional fees	114,527
Administrative overhead	24,000
Communications	21,067
Regulatory fees	7,715
Other operating expenses	26,002
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Total expenses	301,157
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Net income	2,644
Member's equity, January 1, 2006	34,123
Member's contributions	50,000
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Member's equity, December 31, 2006	\$ 86,767

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

STERN CAPITAL LLC
Statement of Cash Flows
Year Ended December 31, 2006

Cash flows from operating activities:	
Net income	\$ 2,644
Adjustments to reconcile net income to net cash provided by operating activities:	
Legal expenses paid by member	
Changes in operating assets and liabilities:	
Increase in fees receivable	(33,388)
Increase in prepaid fees	(16,893)
Increase in accrued expenses and other liabilities	96,879
<hr/>	
Net cash provided by operating activities	49,242
Cash flows from financing activities:	
Member's capital contributions	50,000
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Net increase in cash and cash equivalents	99,242
Cash and cash equivalents, beginning of year	65,407
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Cash and cash equivalents, end of year	\$ 164,649

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

STERN CAPITAL LLC
Notes to Financial Statements
Year Ended December 31, 2006

1. **Organization and Nature of Business**

Stern Capital LLC (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc. (the "NASD"). The Company earns commissions and fees from insurance companies and asset management firms for the implementation of private placement variable annuity life insurance contracts and the rendering of consulting services.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The Company recognizes fee income and related expenses when services provided are substantially completed.

Use of Estimates

The preparation of financial statements in accordance with accounting principals generally accepted in the United States requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The Company maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses on these accounts.

Income Taxes

No provision has been made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are the responsibility of the member.

3. **Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had net capital of \$39,404, which was \$34,404 in excess of its required net capital of \$5,000. The Company's net capital ratio was 3.60 to 1.

STERN CAPITAL LLC
Notes to Financial Statements
Year Ended December 31, 2006

4. **Related Party**

The Company has entered into an agreement with an affiliate related through common ownership for administrative expenses. The amount of \$24,000 has been charged to the financial statements for the year ended December 31, 2006.

Supplemental Information

STERN CAPITAL LLC
Computation of Net Capital
Under Rule 15c3-1 of the Securities and Exchange Commission
As of December 31, 2006

Total member's equity as of December 31, 2006	\$ 86,767
Deductions and/or charges	
Fees receivable	24,940
Prepaid expenses	22,423
Total deductions and/or charges	47,363
Net capital	\$ 39,404
Minimum net capital required	\$ 5,000
Excess net capital	\$ 34,404
Total aggregate indebtedness	\$ 142,018
Ratio of aggregate indebtedness to net capital	3.60 : 1

Reconciliation between the above computation of audited Net Capital of the Company as of December 31, 2006 and the computation included in the Company's corresponding unaudited from X-17A-5 Part IIA filing as of December 31, 2006

Net capital as reported in the Company's (unaudited) FOCUS report	\$ 90,136
Adjustments to:	
Cash	1,439
Receivables from other broker dealers	16,773
Accrued expenses and other liabilities	(68,944)
Net capital	\$ 39,404

STERN CAPITAL LLC
Computation of Reserve Formula
Pursuant to Rule 15-c3-3
December 31, 2006

Exemption claimed under Rule 15c3-3(k)(2)(ii).

**Supplementary Report
Of Independent Auditors**



Supplementary Report of Independent Auditors
on Internal Control Required by SEC Rule 17a-5
of the Securities Exchange Act of 1934

The Board of Directors and Member of
Stern Capital LLC

In planning and performing our audit of the financial statements and supplemental schedules of Stern Capital 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 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: (i) in making quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13, or (ii) in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System or (iii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 the 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.

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 internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 by the Board of Directors management, the Securities and Exchange Commission, National Association of Securities Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used by anyone other than these specified parties.

Manf. Lange, Partner LLP

New York, New York
February 22, 2007