

2/19/07  
001025  
*[Handwritten signature]*



07001675

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response . . . 12.00

AB  
3/1

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

SEC FILE NUMBER  
8- 53603

**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 01/01/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Fairfield Heathcliff Capital LLC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**919 Third Avenue, 39<sup>th</sup> Floor**

**New York** **New York** **10022**  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
**Matthew J. Levinson** **212-319-6060**

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

**PROCESSED**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
**Berkow, Schechter & Company LLP**

*[Handwritten initials]*  
**MAR 12 2007**  
**THOMSON FINANCIAL**  
06901

**350 Bedford Street** **Stamford** **CT**  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**SECURITIES AND EXCHANGE COMMISSION  
RECEIVED**  
**FEB 26 2007**  
**BRANCH OF REGISTRATIONS  
AND EXAMINATIONS**  
02

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).

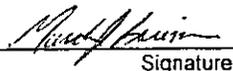
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

AB  
3/19

## OATH OR AFFIRMATION

I, Matthew J. Levinson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Fairfield Heathcliff 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:

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

  
Signature

Chief Financial Officer  
Title

  
Notary Public

CHERYL M. NEAL  
Notary Public, State of New York  
No. 01NE6022174  
Qualified in Westchester County  
Commission Expires March 29, 2007

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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.
- (o) Independent auditor's report on internal control.

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

STATEMENT OF FINANCIAL CONDITION

Fairfield Heathcliff Capital LLC

*December 31, 2006*

*with Report of Independent Auditors*

Fairfield Heathcliff Capital LLC  
Statement of Financial Condition

December 31, 2006

**Contents**

Report of Independent Auditors.....	1
Statement of Financial Condition.....	2
Notes to Statement of Financial Condition.....	3-4

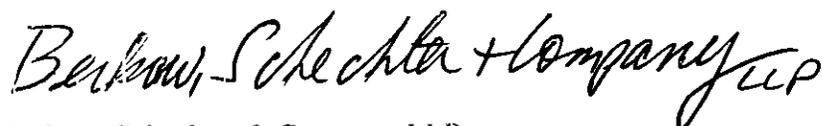
## Report of Independent Auditors

Fairfield Greenwich Ltd., Sole Member  
Fairfield Heathcliff Capital LLC

We have audited the accompanying statement of financial condition of Fairfield Heathcliff Capital LLC (the "Company") as of December 31, 2006. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on this statement of financial condition 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Fairfield Heathcliff Capital LLC at December 31, 2006, in conformity with accounting principles generally accepted in the United States.



Berkow, Schechter & Company LLP

February 15, 2007

Fairfield Heathcliff Capital LLC  
Statement of Financial Condition  
December 31, 2006

<b>Assets</b>	
Cash	\$ 615,660
Accounts receivable	570,662
Other assets	<u>6,553</u>
Total Assets	<u>\$1,192,875</u>
<b>Liabilities and Member's Capital</b>	
Liabilities:	
Salaries and commissions payable	\$ 449,435
Accrued expenses	<u>21,548</u>
	470,983
Member's Capital	<u>721,892</u>
Total Liabilities and Member's Capital	<u>\$1,192,875</u>

*See notes to statement of financial condition.*

Fairfield Heathcliff Capital LLC  
Notes to Statement of Financial Condition  
December 31, 2006

**1. Organization**

**Nature of Business**

Fairfield Heathcliff Capital LLC (the "Company"), a Delaware limited liability company, is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc. (the "NASD"). The Company serves as a non-exclusive placement agent in connection with the private placement of securities pursuant to Rule 506 of Regulation D of the Securities Act of 1933, as amended. These private placements are made with respect to U.S. and offshore private investment funds in which an affiliate of the Company acts as either the general partner or manager. Fairfield Greenwich Limited ("FGL") is the sole member of the Company.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

The statement of financial condition is prepared in conformity with accounting principles generally accepted in the United States which require management to make estimates and assumptions that affect the amounts reported in the statement of financial condition and accompanying notes. Actual results could differ from those estimates.

**Cash**

The cash balance as of December 31, 2006 is held with one major financial institution.

**Income Taxes**

As a single member Limited Liability Company, the Company is a disregarded entity for income tax purposes. Therefore, income taxes are the responsibility of the sole member.

**3. Accounts Receivable / Salaries and Commissions Payable**

Accounts receivable at December 31, 2006 represent placement fees due to the Company. Once received, a portion of these amounts will be paid to internal sales agents (salaries payable) and an unaffiliated sales agent (commissions payable). The Company's liability for the salaries and commissions payable is limited solely to the proceeds of the placement fees.

**4. Accrued expenses**

This balance primarily consists of fees due to the Company's legal and compliance firms, independent auditor and payroll taxes.

Fairfield Heathcliff Capital LLC  
Notes to Statement of Financial Condition (continued)  
December 31, 2006

**5. Profit Sharing Plan**

Fairfield Greenwich Advisors LLC, an affiliate of the Company, has adopted a cross-tested 401(k) profit sharing plan. The Company is an adopting employer of the plan, and therefore, its employees are covered under the plan. The Company has the discretion to match participants' 401(k) contributions and to contribute additional amounts on behalf of the participants.

**6. Net Capital Requirements**

The Company is subject to the SEC's Uniform Net Capital Rule (the "Rule") and the NASD's growth and business reduction capital requirements. The Company computes its net capital under the basic method of the Rule which requires the maintenance of minimum net capital equal to the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined.

At December 31, 2006 the Company had net capital of \$586,597, which was \$555,199 in excess of its required net capital of \$31,398. The Company's ratio of aggregate indebtedness to net capital was 80.29%.

Advances, distributions or other capital withdrawals paid to FGL or the Company's affiliates are subject to certain notification and other provisions of the net capital rules of the SEC and NASD.

**7. Related Party Transactions**

Under a Subsidization Agreement by and between FGL and the Company, FGL has agreed to subsidize certain costs and expenses of the Company. Such costs include premises, office support provided by FGL and its subsidiaries, and health benefits of employees. FGL has no right to or expectation of recoupment for any subsidy paid on the Company's behalf.

The Company has established policies, that its records and systems will not be intermingled with those of FGL or its subsidiaries.

*END*