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

SEC FILE NUMBER
8- 65527

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: STERLING MONROE SECURITIES LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
168 FOREST AVENUE

OFFICIAL USE ONLY
FIRM I.D. NO.

LOCUST VALLEY (No. and Street) NY 11560
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
MONROE DIEFFENDORF 516.759.3900
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
COHEN GREVE & COMPANY, CPA P.C.

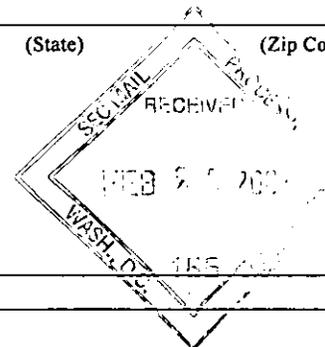
MAR 14 2007
THOMSON
FINANCIAL

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

485 JERICHO TURNPIKE, MINEOLA NY 11501
(Address) (City) (State) (Zip Code)

CHECK ONE:

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



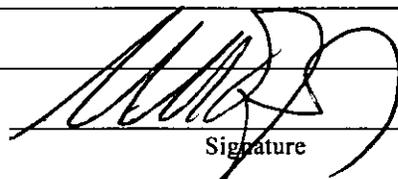
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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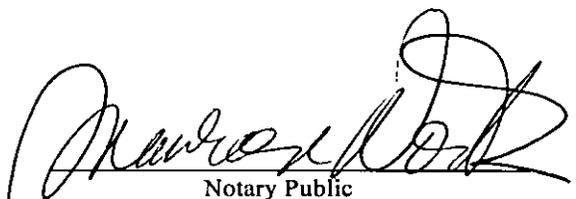
OATH OR AFFIRMATION

I, MONROE DIEFENDORF, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STERLING MONROE SECURITIES 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:



Signature
Pres

Title



Notary Public

Michael West
Notary Public State of New York
No. 01W06935270
Qualified in Nassau County
Commission Expires July 5, 2010

- 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~~ Cash Flows
 - (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).

STERLING MONROE SECURITIES, LLC

FINANCIAL STATEMENTS

December 31, 2006

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COHEN GREVE & COMPANY CPA, P.C.
Certified Public Accountants

J. Timothy Sherman, CPA
Ellen R. Trageser, CPA
Henry P. Greve, CPA
Marc I. Cohen, CPA, deceased

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sterling Monroe Securities, LLC
Locust Valley, New York

We have audited the accompanying comparative balance sheet of Sterling Monroe Securities, LLC as of December 31, 2006 and 2005 and the related comparative statements of income and members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion of 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 Sterling Monroe Securities, LLC as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Schedules II and III are supplementary information required by Rule 17a-5 and 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.

Cohen Greve & Company PC

Mineola, NY
January 30, 2007

STERLING MONROE SECURITIES LLC
COMPARATIVE BALANCE SHEET
December 31, 2006

ASSETS

	<u>2006</u>	<u>2005</u>
Current Assets		
Cash	\$ 7,238	\$ 29,072
Prepaid Expense	660	-
Deposit at Clearing Broker (Note 3)	15,018	15,021
Income Receivable	41,003	29,423
Total Current Assets	<u>63,919</u>	<u>73,516</u>
TOTAL ASSETS	<u>\$ 63,919</u>	<u>\$ 73,516</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities		
Accrued expenses	\$ 35,855	\$ 28,546
Total Current Liabilities	<u>35,855</u>	<u>28,546</u>
Members' Equity		
Members' equity	28,064	44,970
Total	<u>28,064</u>	<u>44,970</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 63,919</u>	<u>\$ 73,516</u>

STERLING MONROE SECURITIES LLC
COMPARATIVE STATEMENT OF INCOME AND MEMBERS' EQUITY
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Income	\$ 506,901	\$ 558,965
Expenses	<u>523,807</u>	<u>561,541</u>
NET (LOSS)	(16,906)	(2,576)
Beginning Members' Equity	44,970	47,546
Equity Contributions	-	-
Equity Distributions	<u>-</u>	<u>-</u>
ENDING MEMBERS' EQUITY	<u>\$ 28,064</u>	<u>\$ 44,970</u>

STERLING MONROE SECURITIES, LLC
COMPARATIVE STATEMENT OF CHANGES OF MEMBERS' EQUITY
For the Years Ended December 31, 2006 and 2005

2006

	<u>Total</u>		<u>Monroe Diefendorf</u>		<u>Christine Diefendorf</u>	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Beginning of Year	20.0	44,970	19.5	43,844	0.5	1,126
Net (Loss)		(16,906)		(16,483)		(423)
End of Year	20.0	28,064	19.5	27,361	0.5	703

2005

	<u>Total</u>		<u>Monroe Diefendorf</u>		<u>Christine Diefendorf</u>	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Beginning of Year	20.0	47,546	19.5	46,356	0.5	1,190
Net (Loss)	-	(2,576)	-	(2,512)	-	(64)
End of Year	20.0	44,970	19.5	43,844	0.5	1,126

STERLING MONROE SECURITIES, LLC
COMPARATIVE STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005

Operating Activities:	2006	2005
Net (Loss)	\$ (16,906)	\$ (2,576)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Prepaid Expense	(660)	-
Deposit in Clearing Broker	3	(14)
Changes in Income Receivable	(11,580)	(6,819)
Accrued Expenses	7,309	4,622
Total	(4,928)	(2,211)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(21,834)	(4,787)
 Net Change in Cash	 (21,834)	 (4,787)
Cash at Beginning of Year	29,072	33,859
CASH AT END OF YEAR	\$ 7,238	\$ 29,072
SUPPLEMENTAL INFORMATION		
Cash Paid for:		
Taxes	\$ 500	\$ 500
Interest	\$ -	\$ -

Note 5 - COMMITMENTS

The Company is obligated under a lease for office space located at 168 Forest Avenue, Locust Valley, New York through July 1, 2007. Annual rent expense is \$12,000 per annum. The minimum annual rent through 2007 is as follows:

2007	<u>\$6,000</u>
Total	<u>\$6,000</u>

Note 6 - NET CAPITAL REQUIREMENTS

As a registered broker-dealer, The Company is subject to the Uniform Net Capital Rules of the Securities and Exchange Commission, which requires that "Net Capital", as defined, shall be at least the greater of \$5,000 or 6 2/3% of "Aggregate Indebtedness." As of December 31, 2006 the Company's "Net Capital" was \$27,404. This exceeds the requirements by \$22,404. The ratio of "Aggregate Indebtedness" to "Net Capital" was 1.31 to 1 at December 31, 2006.

Note 7 - CONCENTRATIONS

During 2006, the three largest companies from which the Sterling Monroe Securities, L.L.C. earned commission income, accounted for 41%, 37% and 4% of total commissions earned for the year. Due to the nature of the business and the Company's ability to earn similar commissions from many sources, the Company does not feel that such concentration can have a material effect on it's ability to earn commissions from other sources.

STERLING MONROE SECURITIES, LLC

SUPPLEMENTARY INFORMATION

December 31, 2006

STERLING MONROE SECURITIES, LLC
COMPARATIVE SUPPLEMENTARY INFORMATION-SCHEDULE - I
For the Years Ended December 31, 2006 and 2005

Income:	<u>2006</u>	<u>2005</u>
Commission Income	\$ 506,294	\$ 558,943
Interest	607	22
TOTAL INCOME	\$ 506,901	\$ 558,965
Expenses:		
Advertising	\$ -	\$ 17,053
Commissions	389,314	425,546
Dues and Subscriptions	1,188	150
NASD fees	10,005	9,439
Insurance	13,852	8,946
Other General and Administrative	1,045	2,657
Website Fees and Upgrades	1,400	730
Professional Fees	10,626	9,064
Licenses and Registrations	1,426	1,662
Rent	12,000	12,000
Membership Fees	300	355
Contributions	-	6,200
Education and Seminars	906	5,406
Management Fees	81,245	61,833
Corporation Tax	500	500
TOTAL EXPENSES	\$ 523,807	\$ 561,541

STERLING MONROE SECURITIES, LLC
COMPARATIVE COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1-SCHEDULE – II
For the Years Ended December 31, 2006 and 2005

	2006	2005
CREDITS		
Member's equity	\$ 28,064	\$ 44,970
DEBITS		
Property and equipment	-	-
Instruments	-	-
Prepaid expenses	(660)	-
Total debits	-	-
Net Capital	27,404	44,970
MINIMUM NET CAPITAL REQUIREMENT – GREATER OF \$5,000 OR 6 2/3% OF AGGREGATE INDEBTEDNESS OF \$35,855	5,000	5,000
EXCESS NET CAPITAL	23,724	39,970
RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	1.25 to 1.00	.63 to 1
SCHEDULE OF AGGREGATE INDEBTEDNESS		
Accrued Expenses	35,855	28,546
RECONCILIATION WITH COMPANY'S COMPUTATION (INCLUDED IN PART IIA OF FORM X-17A-5 AS OF DECEMBER 31, 2005		
Net capital as reported in Company's Part IIA (unaudited) Focus report	\$ 33,532	\$ 52,411
Net audit adjustments	(6,128)	(7,441)
Decrease in non-allowance assets	-	-
Net Capital per above	\$ 27,404	\$ 44,970

STERLING MONROE SECURITIES, LLC
SUPPLEMENTARY INFORMATION – SCHEDULE III
For the Year Ended December 31, 2006

In accordance with the exemptive provisions of SEC Rule 15c3-3, specifically exemption k(2)(ii), the Company is exempt from the computation of a reserve requirement and the information relating to the possession or control requirement.



COHEN GREVE & COMPANY CPA, P.C.
Certified Public Accountants

J. Timothy Sherman, CPA
Ellen R. Trageser, CPA
Henry P. Greve, CPA
Marc I. Cohen, CPA, deceased

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Sterling Monroe Securities, LLC
Locust Valley, New York

In planning and performing our audit of the financial statements and supplemental schedule of Sterling Monroe Securities, LLC (the Company) for the year ended December 31, 2006 and 2005, we considered the 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 assurances on the 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 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 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, verification, 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 the 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 control 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 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 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 the specific internal control components does

INDEPENDENT AUDITOR'S REPORT (cont'd)

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 employee 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 and 2005 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Sterling Monroe Securities, LLC to achieve all the divisions of duties and cross checks generally included in the internal control system and that alternatively greater reliance must be placed on surveillance by management.

This report is intended solely for the Board of Directors, management, the SEC, the National Association of Securities Dealers, 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 is not intended to be and should not be used by anyone other than these specified parties.

Cohen Monroe + Company P.C.

Mineola, NY
January 30, 2007

¹²END