



07003756

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

BP 3/12

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

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

RECEIVED
FEB 28 2007
MAIL ROOM
PROCESSED

SEC FILE NUMBER
8- 50126

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: StoneGate Partners LLC
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
401 Edgewater Place, Suite 120

OFFICIAL USE ONLY
FIRM I.D. NO.

Wakefield (No. and Street) MA 01880
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Ellen C. Varney 617.330.9009 x341
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Provanzano & Marchesiani, P.C.

607 North Avenue, Suite F (Name - if individual, state last, first, middle name) Wakefield MA 01880
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

MAR 21 2007

FOR OFFICIAL USE ONLY
THOMSON
FINANCIAL

*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)

cm

OATH OR AFFIRMATION

I, Ellen C. Varney, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of StoneGate Partners 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:

Ellen C. Varney
Signature
Senior Vice President & CFO
Title

Tamara N. Chomin
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(a)(3).

STONEGATE PARTNERS, LLC and SUBSIDIARY

Consolidated Financial Statements and Supplementary Information

December 31, 2006

(With Independent Auditors' Report and
Supplemental Report on Internal Control Thereon)

Provanzano & Marchesiani P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAKESIDE OFFICE PARK
607 NORTH AVENUE, SUITE F
WAKEFIELD, MA 01880-1307
FAX 781-245-1193

781	245	1100
-----	-----	------

Independent Auditors' Report

The Board of Directors and Members
StoneGate Partners, LLC and subsidiary:

We have audited the accompanying consolidated statement of financial condition of StoneGate Partners, LLC and subsidiary (the Company) as of December 31, 2006 and the related consolidated statements of operations, changes in members' 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 consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of StoneGate Partners, LLC and subsidiary as of December 31, 2006, and the results of their operations and their 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 consolidated financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic consolidated 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 consolidated financial statements and, in our opinion is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.



February 20, 2007

STONEGATE PARTNERS, LLC AND SUBSIDIARY

Consolidated Statement of Financial Condition

December 31, 2006

Assets

Cash and cash equivalents	\$	655,372
Accounts receivable		215,250
Securities owned- not readily marketable, at fair value (note 2)		641,257
Other assets		36,504
Fixed assets, net (note 3)		<u>63,332</u>
Total assets	\$	<u><u>1,611,715</u></u>

Liabilities and Members' Equity

Liabilities:		
Accounts payable, accrued expenses and other liabilities (note 6)	\$	<u>241,843</u>
Commitments and contingencies (notes 5 and 7)		
Minority interest		<u>-</u>
Members' equity (note 4)		
Class A shares, no par value. Authorized 20,000,000 shares; issued and outstanding 11,406,186 shares		2,551,989
Class B shares, no par value. Authorized 20,000,000 shares; issued and outstanding 11,689,688 shares		431,364
Accumulated deficit		<u>(1,613,481)</u>
Total members' equity		<u>1,369,872</u>
Total liabilities and members' equity	\$	<u><u>1,611,715</u></u>

See accompanying notes to consolidated financial statements.

STONEGATE PARTNERS, LLC AND SUBSIDIARY

Consolidated Statement of Operations

Year ended December 31, 2006

Revenues:	
Commissions from private placements	\$ 2,979,508
Interest and dividends	<u>16,215</u>
Total revenues	<u>2,995,723</u>
Expenses:	
Employee compensation and benefits	2,443,764
Regulatory fees and expenses	26,749
Occupancy	68,591
Professional fees	85,190
Telephone expenses	24,896
Other expenses	<u>273,137</u>
Total expenses	<u>2,922,327</u>
Net operating income before minority interest and net unrealized losses on securities	73,396
Minority interest in net loss of consolidated subsidiary	10,479
Net unrealized losses on securities held	<u>(133,921)</u>
Net loss	\$ <u><u>(50,046)</u></u>

See accompanying notes to consolidated financial statements.

STONEGATE PARTNERS, LLC AND SUBSIDIARY

Consolidated Statement of Changes in Members' Equity

Year ended December 31, 2006

	<u>Class A Shares</u>	<u>Class B Shares</u>	<u>Class A Amount</u>	<u>Class B Amount</u>	<u>Accumulated Deficit</u>	<u>Total Members' Equity</u>
Balances at December 31, 2005	11,406,186	11,689,688	\$ 2,551,989	\$ 431,364	\$ (1,563,435)	\$ 1,419,918
Net loss	-	-	-	-	(50,046)	(50,046)
Balances at December 31, 2006	<u>11,406,186</u>	<u>11,689,688</u>	<u>\$ 2,551,989</u>	<u>\$ 431,364</u>	<u>\$ (1,613,481)</u>	<u>\$ 1,369,872</u>

See accompanying notes to consolidated financial statements.

STONEGATE PARTNERS, LLC AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year ended December 31, 2006

Cash flows from operating activities:	
Net loss	\$ (50,046)
Minority interest in subsidiary	(5,979)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Net unrealized losses on securities held	133,921
Depreciation	20,157
Decrease in accounts receivable	684,098
Decrease in other assets	58,272
Decrease in accounts payable, accrued expenses, and other liabilities	<u>(452,549)</u>
Net cash provided by operating activities	<u>387,874</u>
Cash flows from investing activities:	
Purchase of fixed assets	(24,800)
Purchase of investment securities	<u>(91,321)</u>
Net cash used in investing activities	<u>(116,121)</u>
Net increase in cash	271,753
Cash and cash equivalents, beginning of year	<u>383,619</u>
Cash and cash equivalents, end of year	\$ <u><u>655,372</u></u>

See accompanying notes to consolidated financial statements.

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(1) Organization and Significant Accounting Policies

(a) Description of Business

StoneGate Partners, LLC (the "Company") was formed on March 21, 1997, as a Massachusetts limited liability company and commenced operations on June 2, 1997. The Company is registered under the Securities Exchange Act of 1934 as a broker-dealer and is a member of the National Association of Securities Dealers. The Company's primary business activities are acting in a placement agency capacity in both larger syndicates and exclusive engagements for the private placements of securities. In addition, the Company markets securities of emerging growth privately held companies located in the United States.

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of StoneGate Partners, LLC and its majority owned subsidiary StoneGate Natural Resources, LLC (collectively, the Company). In accordance with the Financial Accounting Standards Board (FASB) Interpretation No. 46(R), *Consolidation of Variable Interest Entities* (FIN 46R), the Company also consolidates any variable interest entities (VIE's) of which it is the primary beneficiary, as defined. When the Company does not have a controlling interest in an entity, but exerts a significant influence over the entity, the Company applies the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

The minority interest in the subsidiary exceeds the minority interest in the equity capital of the subsidiary and as such the excess and any further losses applicable to the minority interest will be charged against the Company, as there is no obligation of the minority interest to make good such losses. For the year ended December 31, 2006, the Company recognized additional losses of \$7,708 on its eighty percent owned subsidiary as a result of the above circumstances.

(c) Basis of Presentation

The Company is engaged in a single line of business as a securities broker-dealer, which comprises one class of service, which is to act as placement agent in private securities transactions.

(d) Revenue Recognition

The Company receives commissions for acting as placement agent for private financings. The Company recognizes cash commission revenue at the time the placement is completed. The Company may receive a combination of cash and securities as compensation for services rendered. For the portion of the commission paid in securities, the Company records revenue for the estimated fair value of securities received, net of commission expenses, as the securities are typically issued directly to the brokers in their name.

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(e) Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Company maintains cash balances at various financial institution, primarily banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation up to \$100,000.

(f) Investments Valuation

Investments for which no readily ascertainable market value exists or for which there are no market quotations available, comprising of 46.8% members' equity, are valued at fair value as determined by Management. In determining fair value, Management takes into consideration the financial condition and operating results of the portfolio company, the amount that Management can reasonably expect to realize upon the sale of the securities which it holds and any other factors deemed relevant by Management. Because of the inherent uncertainty of valuations, estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

(g) Fixed Assets

Fixed assets are carried at cost. Depreciation and amortization are computed using the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized.

(h) Income Taxes

No provision for federal or state income taxes is presented in these consolidated financial statements as the Company is a limited liability company which is taxed as a partnership and, accordingly, its taxable income is allocated to its members for income tax reporting purposes.

(i) Uses of Estimates

The preparation of consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Material estimates particularly susceptible to change relate to the fair value determination of securities owned -- not readily marketable. Actual results could differ from those estimates.

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(j) Impairment of Long-Lived Assets

In accordance with FASB Statement No. 144 (Statement 144), *Accounting for the Impairment or Disposal of Long-Lived Assets*, long-lived assets, such as property, plant, and equipment, and purchased intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third party independent appraisals, as considered necessary.

(k) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over fair value of assets of businesses acquired. The Company adopted the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets*, as of January 1, 2002. Pursuant to Statement 142, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually in accordance with provisions of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with FASB Statement 144 *Accounting for Impairment or Disposal of Long-Lived Assets*. The Company does not have goodwill.

(l) Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on accounts receivable are include in net cash provided by operating activities in the consolidated statement of cash flows. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. On a regular basis, the Company reviews the adequacy of its provision for doubtful accounts based on historical collection results and current economic conditions using factors based on the aging of its accounts. In addition, the Company estimates specific additional allowances for its accounts receivable based on indications that a specific customer may be experiencing financial difficulties. Account balances are charged off against the allowance when it is probable that the receivable will not be recovered. At December 31, 2006, there is no allowance for doubtful accounts. The Company does not have any off-balance sheet credit exposure related to its customers.

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(m) Recently Adopted Accounting Standards

In December 2004, the FASB issued FASB Statement No. 153, *Exchanges of Nonmonetary Assets*, which eliminates an exception in APB 29 for recognizing nonmonetary exchanges of similar productive assets at fair value and replaces it with an exception for recognizing exchanges of nonmonetary assets at fair value that do not have commercial substance. This Statement will be effective for the Company for nonmonetary asset exchanges occurring on or after January 1, 2006. The adoption of this Statement did not have a significant effect on the Company's financial statements.

In May 2005, the FASB issued FASB Statement No. 154, *Accounting Changes and Error Corrections*. Statement 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to a newly adopted accounting principle. This statement was effective for the Company for all accounting changes and any error corrections occurring after January 1, 2006.

(2) Securities Owned - Not Readily Marketable

As of December 31, 2006, the Company holds the following securities that are not readily marketable as there is no market on a securities exchange or publicly ascertainable quoted market price. Cost of securities is determined by either the cash paid for securities at purchase, or for securities received as consideration for services rendered, or a combination of both.

<u>Investment</u>	<u>Date Acquired</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Class A Securities</u>			
Actuality Systems, Inc. (4%)*:			
40,322 shares of preferred stock	Dec. 1999	\$ 11,395	\$ 14,133
38,510 shares of Series C preferred stock	Mar. 2004	13,479	13,479
Immunetics (5.9%)*:			
147,059 shares of common stock	Jul. 2000	25,000	15,000
39,345 shares of common stock	Mar. 2004	15,738	15,738
19,231 shares of common stock	Feb. 2006	10,000	10,000

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

<u>Investment</u>	<u>Date Acquired</u>	<u>Cost</u>	<u>Fair Value</u>
Turbine Entertainment (9.2%)*:			
4,470 shares of common stock	Sep. 2003**	120,952	1,431
9,696 shares of series A1 preferred stock	Sep. 2003**	149,990	53,861
5,454 shares of series A1 warrants, expiring 3/31/07	Sep. 2003**	115,834	-
Turbine Entertainment (cont.)			
2,946 shares of series A2 preferred stock	Jan. 2004	15,820	7,910
77 shares of common stock	Dec. 2006	25	25
Wellogix, Inc. (43.1%)*:			
274,194 shares of series C preferred stock	Aug. 2000	205,645	205,645
41,235 shares of series A-1 preferred stock	Aug. 2005	50,000	50,000
28,795 shares of series A-1 preferred stock	Aug. 2005	35,000	35,000
775 shares of series A-1 preferred stock	Dec. 2005	946	946
3,132 shares of series A-1 preferred stock	Dec. 2006	<u>3,821</u>	<u>3,821</u>
Total Class A Securities		<u>773,645</u>	<u>426,989</u>
<u>Class B Securities</u>			
Domin-8 Enterprise Solutions, LLC (2.8%)*:			
69,805 Series B warrants	Dec. 2004	101,217	18,978
Inland (1.0%)*:			
3,458 class B warrants	Dec. 2003	20,747	6,914
ApartmentLINKS, Inc. (.6%)*			
13,636 shares of common stock	Nov. 2005	8,333	4,167
eReferral Network, Inc. (2.4%)*			
33,333 shares of common stock	Nov. 2005	16,667	8,333

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

Investment	Date Acquired	Cost	Fair Value
33,333 shares of common stock	Dec. 2005	16,667	8,333
BenefitStreet, Inc. (9.4%)*			
25,000 shares of series I preferred stock	Nov. 2005	28,750	32,500
7,692 shares of series J preferred stock	Feb. 2006	10,000	10,000
7,320 shares of series A stock	Oct. 2006	10,614	10,614
290 shares of series D stock	Oct. 2006	435	435
1,867 shares of series E stock	Oct. 2006	2,801	2,801
BenefitStreet, Inc. (cont.)			
158 shares of series F stock	Oct. 2006	237	237
Integrated Pharmaceuticals, Inc (0.0%)			
91,583 common warrants	Dec. 2006	-	-
Bradley Energy LLC (15.3%)*:			
2004 drilling program	Various	54,780	10,956
2005 II Program	Nov. 2005	50,000	50,000
Coaldale Energy LP (7.3%)*			
Limited partnership common interest	Mar. 2006	<u>50,000</u>	<u>50,000</u>
Total Class B Securities		<u>371,248</u>	<u>214,268</u>
Total Investments		\$ <u>1,144,893</u>	\$ <u>641,257</u>

* Fair value of investment as a percent of the Company's members' equity.

** Represents date of conversion; securities originally acquired in the period from December 1998 to June 1999.

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(3) Fixed Assets

Fixed assets consisted of the following:

Computers and office equipment	\$ 64,315
Furniture and fixtures	<u>52,028</u>
	116,343
Less accumulated depreciation	<u>(53,011)</u>
	\$ <u>63,332</u>

Depreciation expense for the year ended December 31, 2006 was \$20,157.

(4) Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. As of December 31, 2006, the Company's net capital amounted to \$543,364, of which \$527,240 was in excess of its required net capital of \$16,124.

SEC Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Company's aggregate indebtedness to net capital ratio as of December 31, 2006 was .4 to 1.

(5) Commitments

The Company leases its office facility in Wakefield, Massachusetts under a noncancelable lease agreement expiring in September 2007. The lease agreement requires a minimum monthly rental plus certain operating costs. During the year ended December 31, 2006, rent expense incurred by the Company, including operating costs, amounted to \$68,591.

The future minimum lease payments due under the noncancelable lease agreement as of December 31, 2006, are as follows:

Year ended December 31:

2007	\$ <u>51,318</u>
------	------------------

STONEGATE PARTNERS, LLC and SUBSIDIARY

Notes to Consolidated Financial Statements

December 31, 2006

(6) Accounts Payable, Accrued Expenses, and Other Liabilities

Accounts payable, accrued expenses, and other liabilities consists of the following:

Accrued professional services and other	\$	111,293
Commissions payable		<u>130,550</u>
	\$	<u>241,843</u>

(7) Contingencies

The Company entered into transactions in 2006 which give the Company residual compensation rights. As not all the milestones for this compensation are met at December 31, 2006, this future income stream is not reflected in the accompanying financial statements.

(8) NASD Examination

During 2005, the National Association of Securities Dealers (NASD) conducted a routine, examination of StoneGate Partners, LLC. During the examination and at its Exit Conference in September 2005, the NASD identified certain "Items Noted", related to, among other things, the following: StoneGate's documentation of suitability; its compliance with documentation procedures established following a 2001 examination of the Company by the Securities and Exchange Commission (SEC); the development and implementation of a business continuity plan; and the implementation of an anti-money laundering compliance program. The Company agreed with the NASD that its documentation as to certain matters was deficient and has since taken steps to rectify such issues so as to be compliant with NASD guidelines. The Company, however, noted that despite the deficiencies in documentation, it believed its actual day-to-day practices concerning suitability were compliant, and remain so. The NASD also believes that, in addition to the matters generally noted above, the Company did not comply with NASD Rule 2110. The Company disagrees with the NASD. As a result the Company has attempted to resolve any disagreement with the NASD and will continue to do so. Should an agreement not be reached, the NASD may exercise its prerogative to file an administrative action against StoneGate and/or its principal.

STONEGATE PARTNERS, LLC AND SUBSIDIARY

Computation of Net Capital Under Rule 15c3-1 of the

Securities and Exchange Commission

December 31, 2006

Net capital:		
Total members' equity	\$	<u>1,369,872</u>
Deduct nonallowable assets:		
Securities owned- not readily marketable		641,257
Accounts receivable, net of commission payable offset		84,700
Other assets		36,504
Haircut on other securities		715
Fixed assets, net of accumulated depreciation		<u>63,332</u>
		<u>826,508</u>
Net capital	\$	<u><u>543,364</u></u>
Aggregate indebtedness	\$	241,843
Computation of basic net capital requirement:		
Minimum net capital required: 6 2/3% of total aggregate indebtedness, before the one percent additional requirement	\$	<u>16,124</u>
Required net capital		
Excess of net capital at 1500%	\$	<u>527,240</u>
Excess of net capital at 1000%	\$	<u>519,179</u>
Ratio of aggregate indebtedness to net capital		.4:1
Reconciliation with StoneGate, LLC computation included in Part II of Form X-17-A-5 as of December 31, 2006:		
Net capital, as reported in the Company's Part II (unaudited) FOCUS report:	\$	536,589
Adjustments made to correct financial statements:		
Accounts payable, accrued expenses and other liabilities		<u>6,775</u>
Net capital per above	\$	<u><u>543,364</u></u>

See accompanying independent auditors' report.

Provanzano & Marchesiani P.C.

CERTIFIED PUBLIC ACCOUNTANTS

LAKESIDE OFFICE PARK
607 NORTH AVENUE, SUITE F
WAKEFIELD, MA 01880-1307
FAX 781-245-1193

781	245	1100
-----	-----	------

Supplemental Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5

The Board of Directors and Members
StoneGate Partners, LLC:

In planning and performing our audit of the consolidated financial statements and supplemental schedule of StoneGate Partners, LLC and subsidiary (the Company) for the year ended December 31, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated 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 compliance with 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 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, (2) Recordation of differences required by Rule 17a-13, and (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 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 consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. 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 the specific internal control components does 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 employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish such 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 of the board of directors, management, the SEC 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.

Donngao & Marchisai P.C.

February 20, 2007

END