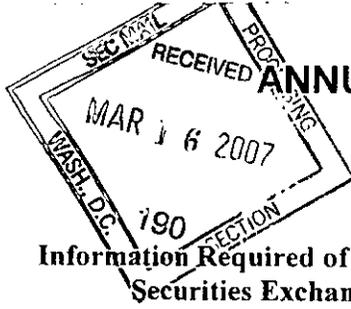




07005175

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden
Hours per response: 12.00



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

SEC FILE NUMBER
8- 66501

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 01/01/2006 AND ENDING 12/31/2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Capstone Trading, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

44 Wall Street, 4th Floor

(No. and Street)

New York

New York

10005

(City)

(State)

(Zip Code)

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

Chad Kirschenblatt

(212) 232-1442

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Kempisty & Company, Certified Public Accountants, P.C.

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

15 Maiden Lane, Suite 1003

New York

New York

10038

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 09 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).

SEC 1410 (06-C2)

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.

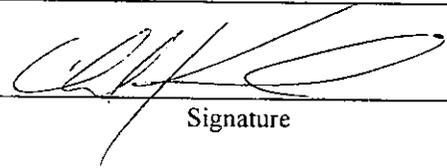
kg
4/4

Handwritten initials and date: 4/5

OATH OR AFFIRMATION

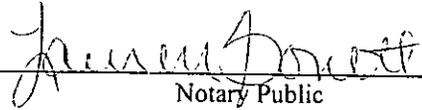
I, Chad Kirschenblatt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Capstone Trading, LLC, as of December 31, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

LAUREN BONETT
Notary Public, State of New York
Registration # 01B06141342
Qualified in Queens County
Commission Expires February 21, 2010



Signature
Controller & FINOP

Title

 12/31/06

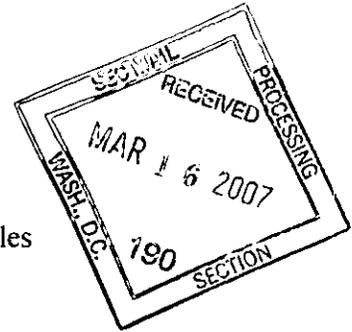
Notary Public

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

- (a) Facing page.
- (b) Statement of financial condition.
- (c) Statement of income (loss).
- (d) Statement of 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 general creditors.
- (g) Computation of net capital for brokers and dealers pursuant to Rule 15c3-1.
- (h) Computation for determination of reserve requirements pursuant to Rule 15c3-3.
- (i) Information relating to the possession or control requirements for broker and dealers 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).

CAPSTONE TRADING, LLC
Financial Statements and Supplemental Schedules
December 31, 2006



(With Independent Auditor's Report Thereon and Supplemental Report on Internal Control Required by Rule 17a-5)

CAPSTONE TRADING, LLC

DECEMBER 31, 2006

INDEX

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF ASSETS, LIABILITIES AND MEMBER'S EQUITY	2
STATEMENT OF INCOME AND EXPENSES	3
STATEMENT OF CHANGES IN MEMBER'S EQUITY	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-10
<u>SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5 OF THE SECURITIES EXCHANGE ACT OF 1934:</u>	
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION	12
SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION	13
SUPPLEMENTARY REPORT OF INDEPENDENT AUDITOR	15-16

KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

INDEPENDENT AUDITORS' REPORT

To the Member of
Capstone Trading, LLC

We have audited the accompanying statement of assets, liabilities and members' equity of Capstone Trading, LLC as of December 31, 2006 and the related statements of income and expenses, members' equity and cash flows 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 Capstone Trading, LLC at December 31, 2006 and the results of its' operations and cash flows 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 Schedules I and II 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.

Kempisty & Company CPAs PC

Kempisty & Company
Certified Public Accountants PC
New York, New York
March 7, 2007

CAPSTONE TRADING, LLC

STATEMENT OF ASSETS, LIABILITIES AND MEMBER'S EQUITY

DECEMBER 31, 2006

ASSETS

Cash	\$	313,686
Securities long, at market		271,571,426
Due from clearing broker		1,264,166
Fixed assets, net		513
JBO investment		<u>10,000</u>
TOTAL ASSETS	\$	<u>273,159,791</u>

LIABILITIES AND MEMBERS' EQUITY

LIABILITIES

Securities sold, not yet purchased, at market	\$	213,807,063
Payable to clearing broker		50,724,506
Accounts payable and accrued expenses		<u>602,478</u>
TOTAL LIABILITIES		265,134,047
Commitments and Contingent Liabilities (Note 6)		-
Member's Equity		<u>8,025,744</u>
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	<u>273,159,791</u>

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

CAPSTONE TRADING, LLC

STATEMENT OF INCOME AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2006

Revenues:		
Principal trading	\$	11,080,823
Interest and dividend income		<u>3,427,573</u>
Total Revenue		<u>14,508,396</u>
Expenses:		
Interest expense		4,828,937
Trader compensation		2,072,717
Regulatory and exchange fees		1,439,612
Commissions		691,498
Brokerage fees		488,470
Other trading expenses		188,710
Clearing fees		186,428
Professional fees		140,780
Employee compensation and benefits		95,832
Seat lease and membership expense		91,465
Communications		74,140
Depreciation		513
Miscellaneous		<u>250</u>
Total Expenses		<u>10,299,352</u>
Net income	\$	<u><u>4,209,044</u></u>

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

CAPSTONE TRADING, LLC
STATEMENT OF CHANGES IN MEMBER'S EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

Member's equity at January 1, 2006	\$ 3,925,002
Capital contributions	3,365,912
Capital withdrawals	(3,474,214)
Net income	<u>4,209,044</u>
Member's equity at December 31, 2006	<u><u>\$ 8,025,744</u></u>

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

CAPSTONE TRADING, LLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2006

Increase (Decrease) in cash

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 4,209,044
Adjustments to reconcile net income to net cash used by operating activities:	
Depreciation and amortization	513
Changes in operating assets and liabilities:	
(Increase) in securities long, at market	(177,687,280)
(Increase) in due from clearing broker	(795,600)
Increase in securities sold, not yet purchased, at market	155,330,787
Increase in payable to broker	18,021,978
(Decrease) in accounts payable and accrued expenses	(89,948)
Total adjustments	<u>(5,219,550)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(1,010,506)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Capital contributions	3,365,912
Capital withdrawals	<u>(3,474,214)</u>
CASH USED BY FINANCING ACTIVITIES	<u>(108,302)</u>

NET DECREASE IN CASH (1,118,808)

CASH - Beginning of year 1,432,494

CASH - End of year \$ 313,686

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

CAPSTONE TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 1- ORGANIZATION AND NATURE OF BUSINESS

Capstone Trading, LLC, a New York limited liability company (the "Company") is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the American Stock Exchange ("AMEX"), the Chicago Board Options Exchange ("CBOE"), and the International Securities Exchange ("ISE").

The Company is engaged in the activity of trading securities and futures.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Concentration of Credit Risk

The Company is engaged in various trading activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

At December 31, 2006 the Company's clearing broker held net assets of \$8,304,023 on behalf of the Company.

Additionally, cash balances are held at a financial institution and may at times exceed the \$100,000 insurable limit. The Company believes it mitigates its risk by investing in or through major financial institutions. Recoverability is dependent upon the performance of the institution.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of financial instruments including due from or payable to clearing broker, interest and dividends receivable and accounts payable and accrued expenses, approximates their fair value due to the relatively short-term nature of these instruments. Securities owned or sold, not yet purchased are marked to market which approximates fair value.

CAPSTONE TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Securities and futures transactions and the related income and expenses are recorded on the books on a trade date basis.

Depreciation and Amortization

The cost of furniture and equipment is depreciated over the estimated useful lives of the related assets of three to seven years. Software is depreciated over 5 years. The cost of leasehold improvements is amortized over the lesser of the length of the related lease or the estimated useful life of the assets. Depreciation is computed on a straight line basis for financial reporting purposes and on an accelerated basis for income tax purposes. Leasehold improvements for income tax purposes are amortized in accordance with Internal Revenue Service regulations.

Comprehensive Income

The Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS No. 130"). SFAS No. 130 requires an entity to report comprehensive income and its components and increases financial reporting disclosures. This standard has no impact on the Company's financial position, cash flows or results of operations since no elements of the Company's comprehensive income exist other than the loss from operations.

Recent Accounting Pronouncements

The Company does not expect the adoption of recent accounting pronouncements to have any material impact on its financial condition or results of operations.

NOTE 3- INCOME TAXES

No provisions for federal and state income taxes are made in the financial statements as these taxes are the responsibility of the member under this form of organization.

CAPSTONE TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 4- RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to the Company's clearing organization, and others at December 31, 2006, consist of the following:

	<u>Receivable</u>	<u>Payable</u>
Receivable from/payable to clearing broker	\$ 1,264,166	\$ 50,724,506

NOTE 5- SECURITIES OWNED AND SOLD, NOT YET PURCHASED

Marketable securities owned and sold, not yet purchased, consist of trading and investment securities at market values at December 31, 2006, as follows:

	<u>Owned</u>	<u>Sold, Not Yet Purchased</u>
Stocks, warrants and futures	\$ 271,571,426	\$ 213,807,063

NOTE 6- COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company shares office space leased by its Parent and reimburses the Parent for approximately one third of the cost.

Seat Leases

The Company has month to month seat lease agreements on the CBOE, CBOT and American Stock Exchange.

NOTE 7- NET CAPITAL REQUIREMENTS

The Company is a member of the American Stock Exchange and Chicago Board Options Exchange, and is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires that the ratio of aggregate indebtedness to net capital may not exceed 15 to 1, and equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2006, the Company's net capital was \$863,464 which was \$763,464 in excess of its required net capital of \$100,000. The Company's debt-equity ratio was 0.698 to 1.

CAPSTONE TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 7- NET CAPITAL REQUIREMENTS (continued)

On March 24, 2006, Capstone Trading LLC ("CT") signed a guaranty for a loan made by ABN AMRO for \$3M to Capstone Fixed Income, LLC ("CFI"). As such, when guaranty was put into place, CT was required to consolidate CFI into its FOCUS filing. Under the consolidation treatment, several assets for CFI was deemed unallowable, thus making haircuts and margins greater than allowable assets and causing the Company's net capital to fall below its required minimum net capital of \$100,000. On Nov 13, 2006, the guaranty was removed and additional funds were also infused into CT by its parent Capstone Holdings Group to bring CT back in compliance with its required net capital minimum of \$100,000.

NOTE 8- OFF BALANCE SHEET RISK

Pursuant to a clearance agreement, the Company clears its securities and futures transactions through a clearing broker. Under certain conditions as defined in the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying these transactions initiated by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the transactions introduced by the Company.

NOTE 9- GUARANTEES

FASB Interpretation No. 45 (FIN 45), Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, requires the Company to disclose information about its obligations under certain guarantee arrangements. FIN 45 defines guarantees as contracts and indemnification agreements that contingently require a guarantor to make payments to the guaranteed party based on changes in an underlying (such as an interest or foreign exchange rate, security or commodity price, an index or the occurrence or non occurrence of a specified event) related to an asset, liability or equity security of a guaranteed party. FIN 45 also defines guarantees as contracts that contingently require the guarantor to make payments to the guaranteed party based on another entity's failure to perform under an agreement as well as indirect guarantees of the indebtedness of others.

CAPSTONE TRADING, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

NOTE 9- GUARANTEES (continued)

Indemnifications

In the normal course of its business, the Company indemnifies and guarantees certain service providers, such as clearing and custody agents, trustees and administrators, against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. The maximum potential amount of future payments that the Company could be required to make under the indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications.

Exchange Member Guarantees

The Company is a member of various exchanges that trade and clear securities and/or futures contracts. Associated with its membership, the Company may be required to pay a proportionate share of the financial obligations of another member who may default on its obligations to the exchange. While the rules governing different exchange memberships vary, in general the Company's guarantee obligations would arise only if the exchange had previously exhausted its resources. In addition, any such guarantee obligation would be apportioned among the other non-defaulting members of the exchange. Any potential contingent liability under these membership agreements cannot be estimated. The Company has not recorded any contingent liability in the financial statements for these agreements and believes that any potential requirement to make payments under these agreements is remote.

SUPPLEMENTARY INFORMATION PURSUANT TO RULE 17a-5
OF THE SECURITIES EXCHANGE ACT OF 1934

CAPSTONE TRADING, LLC

**SCHEDULE I
COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006**

NET CAPITAL:		
Members' equity		\$ 8,025,744
Less non-allowable assets and deductions:		
Fixed assets, net	513	
JBO investment	<u>10,000</u>	
		10,513
Less: Haircuts on securities		<u>7,151,767</u>
NET CAPITAL		\$ <u><u>863,464</u></u>
AGGREGATE INDEBTEDNESS, total liabilities		\$ <u><u>602,478</u></u>
MINIMUM NET CAPITAL REQUIRED (6.67% of aggregate indebtedness)		\$ <u><u>40,165</u></u>
MINIMUM NET CAPITAL DOLLAR REQUIREMENT		\$ <u><u>100,000</u></u>
MINIMUM NET CAPITAL REQUIRED		\$ <u><u>100,000</u></u>
EXCESS NET CAPITAL (\$863,464 - \$100,000)		\$ <u><u>763,464</u></u>
PERCENTAGE OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	\$ <u>602,478</u> \$ 863,464	<u><u>69.77%</u></u>

There are no material differences between the above computation and the computation included in the Company's corresponding unaudited form X-17A-5 Part II filing.

CAPSTONE TRADING, LLC

**SCHEDULE II
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2006**

The Company is exempt from the Securities and Exchange Commission Rule 15c3-3 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

CAPSTONE TRADING, LLC
INDEPENDENT AUDITOR'S SUPPLEMENTARY REPORT ON
INTERNAL ACCOUNTING CONTROL
DECEMBER 31, 2006

KEMPISTY & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, P.C.

15 MAIDEN LANE - SUITE 1003 - NEW YORK, NY 10038 - TEL (212) 406-7272 - FAX (212) 513-1930

Capstone Trading, LLC

New York, New York

In planning and performing our audit of the financial statements of Capstone Trading, 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 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
3. 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 internal control and the practices and procedures referred to in the preceding paragraphs. 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.

Capstone Trading, LLC

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, 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 Commission's objectives.

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

This report is intended solely for the information and use of the Board of Directors, management, the SEC, The Chicago Board Options Exchange, American Stock Exchange, International Stock Exchange, 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.

Kempisty & Company CPAs PC

Kempisty & Company
Certified Public Accountants PC
New York, New York
March 7, 2007