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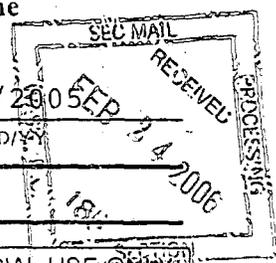
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

OMB APPROVAL  
OMB Number: 3235-0123  
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8- 47474

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 01/01/2005 AND ENDING 12/31/2005  
MM/DD/YY MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hold Brothers On-Line Investment Services, LLC

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

525 Washington Blvd., 14th Floor  
(No. and Street)

Jersey City  
(City)

New Jersey  
(State)

07310  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
PAUL BRAY 201-499-8700  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Morey, John P.  
(Name - if individual, state last, first, middle name)

528 N. New Street  
(Address)

Bethlehem  
(City)

Pennsylvania  
(State)

18018  
(Zip Code)

CHECK ONE:

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

PROCESSED  
MAR 13 2006  
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)

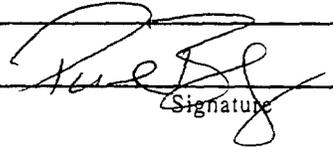
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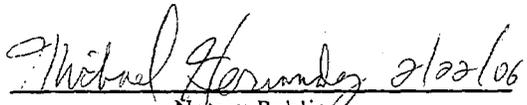
OATH OR AFFIRMATION

I, PAUL BRAY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hold Brothers On-Line Investment Services, LLC, as of December 31, 2005, 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:

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

MICHAEL H. STANLEY  
Notary Public, State of New Jersey  
No. 2296518  
Qualified in Morris County  
Commission Expires Feb. 3, 2008

  
Signature  
CFO  
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.

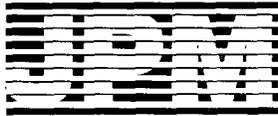
\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC**

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John P. Morey



Certified Public Accountant

To the Members

Hold Brothers On-Line Investment Services, LLC:

I have audited the accompanying statement of financial condition of Hold Brothers On-Line Investment Services, LLC (the "Company") as of December 31, 2005, and the related statements of income, 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 financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Hold Brothers On-Line Investment Services, LLC at December 31, 2005, 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 of America.

A handwritten signature in cursive script that reads "John P. Morey".

John P. Morey, CPA  
Bethlehem, PA 18018  
February 17, 2006

528 N. New Street  
Bethlehem, PA 18018

Tel: (610) 882-1000  
Fax: (610) 882-2418  
jmorey@moreycpa.com

**HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC**

**Statement of Financial Condition  
December 31, 2005**

**ASSETS**

Cash and cash equivalents	\$ 267,323
Receivable from broker-dealers and clearing organizations	1,599,174
Deposits with clearing organizations and others(cash of \$357,860 and securities with a market value of \$543,983)	901,843
Securities owned:	
Marketable securities, at market value	42,490,550
Not readily marketable, at estimated fair value	552,903
Property and equipment, net of accumulated depreciation of \$342,054	242,940
Receivable from affiliate	385,249
Other assets	<u>298,951</u>

**TOTAL ASSETS**

\$ 46,738,933

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Payable to broker-dealers and clearing organizations	\$ 27,861,129
Securities sold, not yet purchased, at market value	5,085,634
Accounts payable	1,284,449
Accrued expenses and other liabilities	871,823
Payable to affiliates	<u>169,666</u>

**TOTAL LIABILITIES**

35,272,701

**MEMBERS' EQUITY**

Class A voting, member units	3,946,459
Class B nonvoting, members units	<u>7,519,773</u>

11,466,232

**TOTAL LIABILITIES AND MEMBERS' EQUITY**

\$ 46,738,933

See notes to financial statements

## **HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC**

### **Notes to Financial Statements December 31, 2005**

#### **NOTE A – ORGANIZATION**

##### **Nature of business**

Hold Brothers On-Line Investment Services, Inc. was organized in 1994 in the State of Delaware and during 2002, was reorganized as a limited liability company, and became Hold Brothers On-Line Investment Services, LLC (the "Company"). The 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 is a majority owned subsidiary of Hold Brothers, Inc. (the "Parent").

The Company engages in the trading of equity securities and options and provides brokerage services to individuals. The Company provides these services through its home office in Jersey City, New Jersey and its branch network. The Company introduces all of its customer securities transactions to another broker-dealer on a fully disclosed basis. All related clearing and depository operations for these transactions are performed by the clearing broker.

The Company is self clearing for its proprietary transactions and has a direct clearing relationship with National Securities Clearing Corporation (the "NSCC").

#### **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Cash and cash equivalents:**

Cash and cash equivalents include cash and money market accounts.

##### **Securities transactions:**

Securities transactions and the related revenues and expenses are recorded in the financial statements on a trade date basis.

Marketable securities, including derivative contracts, are carried at fair value, with changes in value included in the statement of income in the period of change. Fair value is generally determined by quoted market prices. The fair value of exchange traded derivatives, primarily option contracts, is determined by quoted market prices while the fair value of derivatives negotiated in over-the-counter markets are valued based upon dealer price quotations or pricing models which consider time value and the volatility of the underlying instruments. Non-marketable securities are valued at fair value as determined by management.

##### **Property and equipment:**

Furniture, equipment and vehicles are stated at cost less accumulated depreciation. Depreciation is computed using straight-line and accelerated methods over the estimated useful life of the related asset.

## HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC

### Notes to Financial Statements December 31, 2005

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Income taxes:

A limited liability company is treated as a partnership for income tax purposes and is not subject to income taxes. The taxable income or loss of the Company is includible in the income tax returns of its members. Therefore, no provision for income tax has been provided.

##### Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### NOTE C – SECURITIES OWNED AND SOLD, NOT YET PURCHASED

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

	Owned	Sold, not yet purchased
Corporate stocks	\$39,996,990	\$ 436,509
Options	2,493,560	4,649,125
Totals	\$42,490,550	\$5,085,634

Securities not readily marketable include investment securities that cannot be offered or sold because of other arrangements, restrictions, or conditions applicable to the securities or to the Company.

#### NOTE D – RECEIVABLE FROM AND PAYABLE TO BROKER-DEALERS AND CLEARING ORGANIZATIONS

Amounts receivable from and payable to broker-dealers and clearing organizations at December 31, 2005, consist of the following:

	Receivable	Payable
Deposits for securities borrowed/loaned	\$ 219,700	\$ -
Securities failed to deliver/receive	-	175,977
Payable to clearing broker	-	27,685,152
Receivable from clearing organizations	1,355,008	-
Fees and commissions receivable	24,466	-
Totals	\$1,599,174	\$27,861,129

## HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC

### Notes to Financial Statements December 31, 2005

#### NOTE E – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2005 consists of:

Furniture and equipment	\$ 467,028
Vehicles	<u>117,966</u>
	584,994
Less accumulated depreciation	<u>342,054</u>
	<u>\$ 242,940</u>

#### NOTE F – COMMITMENTS AND CONTINGENCIES

##### Leases:

The Company leases office space under a long-term lease. Future obligations relating to the primary terms of the Company's long-term office space lease are:

<u>Year Ending December 31:</u>	
2006	\$ 682,705
2007	720,266
2008	691,693
2009	648,732
2010 and thereafter	<u>266,038</u>
	<u>\$ 3,009,434</u>

Rent expense under operating leases was \$708,245 for the year ended December 31, 2005.

##### Letters of credit:

The Company has a secured letter of credit ("LOC") issued in favor of the Company's landlord, which was issued by a diversified U.S. financial institution in the amount of \$198,240. This LOC matures November 2006. At December 31, 2005, there were no outstanding borrowings under this LOC. As of December 31, 2005, mutual funds of \$308,853 were pledged and deposited to secure the LOC.

##### Litigation:

The Company is a party in a pending arbitration. The Company has also been the subject of several regulatory inquiries during the past year in its ordinary course of business. While the outcome of such matters cannot be predicted with certainty, in the opinion of management of the Company, after consultation with various counsels handling such matters, these actions will be resolved with no material adverse effect on the Company's financial statements, taken as a whole.

## **HOLD BROTHERS ON-LINE INVESTMENT SERVICES, LLC**

### **Notes to Financial Statements December 31, 2005**

#### **NOTE G – MEMBERS' EQUITY**

The Class A member units are voting.

The Class B members' units are nonvoting. Each Class B member is allocated the net income or loss from certain trading activities.

#### **NOTE H – NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined and requires that the ratio of aggregate indebtedness, as defined, to net capital, shall not exceed 15 to 1.

At December 31, 2005, the Company had net capital of \$6,230,654, which was \$5,980,654 in excess of its required net capital of \$250,000. The Company ratio of aggregate indebtedness to net capital was .37 to 1.

Capital withdrawals are subject to certain notification and other provisions of the net capital rules of the SEC.

#### **NOTE I – RELATED PARTY TRANSACTIONS**

The Company has a software license agreement with Holdsoftware.com, Inc. an affiliated company. Included in software licensing expense is \$1,755,781 related to this agreement. Included in payable to affiliates is \$128,503 that represents accrued costs associated with this software license. This balance is settled on a monthly basis.

#### **NOTE J – CREDIT AND MARKET RISK**

A clearing broker-dealer carries all of the customer accounts of the Company and is responsible for the execution, collection and payments of funds and, receipt and delivery of securities related to security transactions. Customer transactions are entered into on either a cash or margin basis. In a margin transaction, the Company, through its clearing broker-dealer, extends credit to a client for the purchase of securities using the securities purchased and/or other securities in the customer's account as collateral for loaned amounts. Market declines could reduce the value of any collateral below the principal amount loaned, plus accrued interest, before the collateral can be sold. Customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge the losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and ensure that customer transactions are executed properly by the clearing broker-dealer.

The Company enters into various transactions involving derivatives and other off-balance sheet financial instruments. Exchange-traded options are used to conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk. Derivative transactions are entered into for trading purposes or to economically hedge other positions or transactions.

At December 31, 2005, cash and cash equivalents were held on deposit at diversified U.S. financial institutions.