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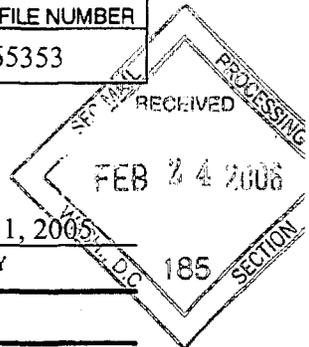
SECURITIES MISSION  
06003147  
Washington, D.C. 20547

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

SEC FILE NUMBER  
8- 65353

**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 January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Brandis Tallman, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
22 Battery Street, Suite 500  
(No and Street)  
San Francisco CA 94111  
(City) (State) (Zip Code)

OFFICIAL USE ONLY  
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Richard S. Brandis (415) 912-5633  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
Breard & Associates Inc., Certified Public Accountants  
(Name - if individual, state last, first, middle name)  
9010 Corbin Avenue Suite 7 Northridge CA 91324  
(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 21 2006  
THOMSON  
FINANCIAL

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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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SEC 1410 (06-02)

KA 4/20/06

OATH OR AFFIRMATION

I, Richard S. Brandis, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brandis Tallman 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:

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

State of \_\_\_\_\_  
County of \_\_\_\_\_  
Subscribed and sworn (or affirmed) to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_

[Signature]  
Signature

\_\_\_\_\_  
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 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 15c3-3 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).

State of California, County of San Francisco  
Subscribed and sworn to (or affirmed) before me on this 21 day of February, 2006 by Richard S. Brandis personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.  
Signature [Signature]





**Brandis Tallman LLC**  
**Report Pursuant to Rule 17a-5 (d)**  
**Financial Statements**  
**For the Year Ended December 31, 2005**

Independent Auditor's Report

Board of Directors  
Brandis Tallman LLC

We have audited the accompanying statement of financial condition of Brandis Tallman LLC 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. 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 misstatements. 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 Brandis Tallman LLC as of December 31, 2005, 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 examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III are presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subject to the auditing procedures applied in the examination 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 and in conformity with the rules of the Securities and Exchange Commission.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 1, 2006

***We Focus & Care***<sup>SM</sup>

9010 Corbin Avenue, Suite 7  
Northridge, California 91324  
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**Brandis Tallman LLC**  
**Statement of Financial Condition**  
**December 31, 2005**

**Assets**

Cash	\$ 40,946
Petty cash	75
Deposits held at clearing organizations	128,296
Accounts receivable	38,259
Property and equipment, net	37,838
Organization costs, net	886
Prepaid expenses	<u>1,947</u>
<b>Total assets</b>	<b><u>\$ 248,247</u></b>

**Liabilities and Members' equity**

**Liabilities**

Retirement plan contribution payable	\$ 4,100
Accounts payable and accrued expenses	2,500
Income taxes payable	<u>2,500</u>

**Total liabilities** 9,100

**Members' equity** 239,147

**Total liabilities and members' equity** **\$ 248,247**

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

**Brandis Tallman LLC**  
**Statement of Income**  
**For the year ended December 31, 2005**

**Revenue**

Underwriting income	\$ 504,451
Referral income	98,318
Trading revenue	4,409
Interest income	3,490
Other income	<u>95</u>
<b>Total revenue</b>	<b>610,763</b>

**Expenses**

Employee compensation and benefits	132,647
Underwriting expense	50,759
Occupancy	22,581
Taxes, other than income taxes	9,914
Other operating expenses	<u>117,744</u>
<b>Total expenses</b>	<b><u>333,645</u></b>

<b>Income (loss) before income tax provision</b>	<b>277,118</b>
<b>Total income tax provision</b>	<b><u>3,300</u></b>
<b>Net income (loss)</b>	<b><u>\$ 273,818</u></b>

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

**Brandis Tallman LLC**  
**Statement of Changes in Members' Equity**  
**For the year ended December 31, 2005**

	<u>Members'</u> <u>Equity</u>
Balance on January 1, 2005	\$ 277,287
Members' distributions	(311,958)
Net income (loss)	<u>273,818</u>
Balance on December 31, 2005	<u>\$ 239,147</u>

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

**Brandis Tallman LLC**  
**Statement of Cash Flows**  
**For the year ended December 31, 2005**

**Cash flows from operating activities:**

Net income (loss)	\$ 273,818
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Depreciation	\$ 13,203
Amortization	592
(Increase) decrease in:	
Deposits held at clearing organizations	1,583
Underwriting receivable	(38,259)
Prepaid expenses	158
(Decrease) increase in:	
Accounts payable	(2,185)
Retirement plan contribution payable	<u>(19,400)</u>
Total adjustments	<u>(44,308)</u>
Net cash provided by (used in) operating activities	229,510

**Cash flows from investing activities:**

-

**Cash flows from financing activities:**

Members' distributions	<u>(311,958)</u>
Net cash provided by (used in) financing activities	<u>(311,958)</u>
Net increase (decrease) in cash	(82,448)
Cash at beginning of year	<u>123,394</u>
Cash at end of year	<u><u>\$ 40,946</u></u>

**Supplemental disclosure of cash flow information:**

Cash paid during the year for

Interest	\$ -
Income taxes	\$ 3,300

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

**Brandis Tallman LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*General*

Brandis Tallman LLC (the "Company") was incorporated in the State of California on February 26, 2003 and commenced securities transactions emphasizing municipal bond placements, also offering consulting services to local government predominantly in California. The Company is a registered broker-dealer in securities under the Securities and Exchange Act of 1934, a member of the National Association of Securities Dealers, Inc. ("NASD"), the Securities Investor Protection Corporation ("SIPC") and the Municipal Securities Rulemaking Board ("MSRB").

The Company conducts business on a fully disclosed basis whereby the execution and clearance of trades are handled by another broker/dealer. The Company does not hold customer funds and/or securities. Commission income consists of security trades of buys and sells.

*Summary of Significant Accounting Policies*

The presentation 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 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.

Underwriting receivables are stated at face amount with no allowance for doubtful accounts. An allowance for doubtful accounts is not considered necessary because probable uncollectible accounts are immaterial.

Commission income and expenses are recorded on trade date basis. Underwriting income is recorded at the time the underwriting is completed and the income is reasonably determined. Referral income is recorded when earned.

*Property and Equipment*

Furniture, fixtures and equipment are stated at cost. The Company depreciates its property and equipment using the straight line method of depreciation over the property and equipment's useful lives of five (5) to seven (7) years.

Organization costs are being amortized on a straight-line basis over 60 months.

Certain prior year amounts have been reclassified to conform to the current year's presentation. These changes had no impact on previously reported results of operations or members' equity.

**Brandis Tallman LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(Continued)**

The Company, with the consent of its Members, has elected to be a California Limited Liability Company. For tax purposes the Company is treated like a partnership, therefore in lieu of business income taxes, the Members are taxed on the Company's taxable income. Therefore, no provision or liability for Federal Income Taxes is included in these financial statements. The State of California has similar treatment, although there exists a provision for a minimum Franchise Tax of \$800 and the gross receipts tax.

**Note 2: PROPERTY AND EQUIPMENT, NET**

Property and equipment are recorded at cost and summarized by major classifications as follows:

		<u>Depreciable Life Years</u>
Automobile	\$ 62,182	5
Furniture and fixtures	980	7
Equipment	<u>5,469</u>	5
	68,631	
Less accumulated depreciation	<u>(30,793)</u>	
Property and equipment, net	<u><u>\$ 37,838</u></u>	

Depreciation expense for the year ended December 31, 2005 was \$13,203.

**Note 3: ORGANIZATION COSTS, NET**

Organization costs at December 31, 2005 are carried at cost.

		<u>Amortization Periods</u>
Organization costs	<u>\$ 2,959</u>	5 years
	2,959	
Less accumulated amortization	<u>(2,073)</u>	
Organization costs, net	<u><u>\$ 886</u></u>	

Amortization expense for the year ended December 31, 2005 was \$592.

**Brandis Tallman LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 4: DEPOSITS HELD AT CLEARING FIRM**

The Company has deposited \$103,318 with Wedbush Morgan Securities and \$24,978 with Emmett Larkin Company as security for its transactions with them. Interest is paid monthly on the Wedbush Deposit at the average overnight repurchase agreement rate.

**Note 5: INCOME TAXES**

The Company is subject to a limited liability company gross receipts tax, with a minimum provision of \$800. At December 31, 2005 the Company recorded gross receipts tax of \$2,500, and the minimum limited liability company income tax of \$800 for a total tax provision of \$3,300.

**Note 6: RENT EXPENSE**

Current year rent expense consists of the following:

Office rent	<u>\$ 22,581</u>
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**Note 7: COMMITMENTS AND CONTINGENCIES**

The Company provides certain retirement benefits to its eligible employees. In accordance with Statement No. 112 of the Financial Accounting Standard Board, such costs are to be accounted for on the accrual basis. Pursuant to its commitment to provide retirement benefits to its eligible employees, the Company maintains a Simplified Employee Pension (SEP) plan to which annual contributions may be made. Such contributions are based upon the profitability of the company and the discretion of management. As of December 31, 2005, the amount of the contribution accrued for the year then ended was \$4,100.

**Brandis Tallman LLC**  
**Notes to Financial Statements**  
**December 31, 2005**

**Note 8: RECENTLY ISSUED ACCOUNTING STANDARDS**

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment" ("FAS 123R"), which requires the measurement and recognition of compensation expense for all stock-based compensation payments including grants of employee stock options. Stock options are a valuable and important tool used by many companies as a means to motivate employees and promote business growth. This statement eliminates the ability to account for such share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, "Accounting for Stock Issued to Employees," and requires that such transactions be reflected in the financial statements based upon the estimated fair value of the awards. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting treatment for the tax benefit on employee stock options and for stock issued under an employee stock purchase plan. FASB 123R becomes effective for all reports issued after June 15, 2005. Adoption of the new standard has not had a material effect upon the financial statements of the company.

**Note 9: NET CAPITAL**

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 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2005, the Company had net capital of \$198,401, which was \$98,401 in excess of its required net capital of \$100,000; and the Company's ratio of aggregate indebtedness (\$9,100) to net capital was 0.05 to 1, which is less than the 15 to 1 maximum ratio allowed for a broker/dealer.

**Brandis Tallman LLC**  
**Schedule I - Computation of Net Capital Requirements**  
**Pursuant to Rule 15c3-1**  
**As of December 31, 2005**

**Computation of net capital**

Members' equity	<u>\$ 239,147</u>	
Total Members' equity		\$ 239,147
Less: Non allowable assets		
Property and equipment, net	(37,838)	
Organization costs, net	(886)	
Petty cash	(75)	
Prepaid expenses	<u>(1,947)</u>	
Total non-allowable assets		<u>(40,746)</u>
<b>Net Capital</b>		<b>198,401</b>

**Computation of net capital requirements**

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 607	
Minimum dollar net capital required	<u>100,000</u>	
Net capital required (greater of above)		<u>100,000</u>
<b>Excess net capital</b>		<b><u><u>\$ 98,401</u></u></b>

Ratio of aggregate indebtedness to net capital 0.05: 1

There was a \$1 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2005 due to rounding.

**Brandis Tallman LLC**  
**Schedule II - Computation for Determination of Reserve**  
**Requirements Pursuant to Rule 15c3-3**  
**As of December 31, 2005**

A computation of reserve requirement is not applicable to Brandis Tallman LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

**Brandis Tallman LLC**  
**Schedule III - Information Relating to Possession or Control**  
**Requirements Under Rule 15c3-3**  
**As of December 31, 2005**

Information relating to possession or control requirements is not applicable to Brandis Tallman LLC as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(ii).

**Brandis Tallman LLC**  
**Supplementary Accountant's Report**  
**on Internal Accounting Control**  
**Report Pursuant to 17a-5**  
**For the Year Ended December 31, 2005**

# **BREARD & ASSOCIATES, INC.**

Certified Public Accountants

Board of Directors  
Brandis Tallman LLC

In planning and performing our audit of the financial statements and supplemental schedules of Brandis Tallman LLC for the year ended December 31, 2005, we considered its internal control structure, for the purpose 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 the internal control structure.

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 Brandis Tallman LLC including tests of such practices and procedures that we considered relevant to objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) 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 security 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 the quarterly securities examinations, counts, verifications 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 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 structure 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 internal control structure policies and procedures 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 an internal control structure 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

*i*

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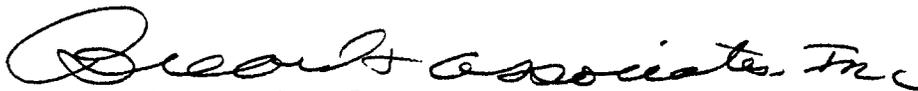
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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the 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 design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 the internal control structure, including procedures for safeguarding securities, that we considered to be material weakness 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 purpose 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 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, 2005 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.



Breard & Associates, Inc.  
Certified Public Accountants

Northridge, California  
February 1, 2006