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

SEC FILE NUMBER
8- 26276

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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 01/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **LN Securities Inc.**

OFFICIAL USE ONLY
FIRM I.D. NO.

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

40 West 57th Street

New York

(No. and Street)
NY

10019

(City)

(State)

(Zip Code)

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

Jerome Kushnick

(212) 698-0761

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Pegg & Pegg LLP

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

1430 Broadway, Suite 1105A

New York

NY

10018

(Address)

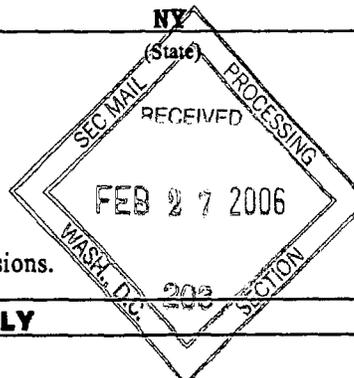
(City)

(State)

(Zip Code)

CHECK ONE:

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



PROCESSED
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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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Pegg & Pegg LLP
Certified Public Accountants
1430 Broadway
Suite 1105A
New York, NY 10018

Independent Auditor's Report

The Board of Directors
LN Securities Inc.

We have audited the accompanying statement of financial condition of LN Securities Inc. (a wholly owned subsidiary of Lepercq, de Neuflyze & Co. Incorporated) as of December 31, 2005. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of LN Securities Inc. as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

New York, NY
February 16, 2006

Pegg & Pegg LLP

LN Securities Inc.
(a wholly owned subsidiary of
Lepercq, de Neuflyze & Co. Incorporated)

Statement of Financial Condition

December 31, 2005

Assets

Cash and cash equivalents (note 1)		\$ 25,006
Receivables:		
Interest and dividends	\$ 12,808	
Other	<u>11,798</u>	
		24,606
Investments in marketable securities (note 4)		1,236,557
Investments – Lepercq, de Neuflyze/ Tocqueville Securities L.P. (note 1)		<u>21,571</u>
Total assets		<u>\$ 1,307,740</u>

Liabilities and Stockholder's Equity

Payables:		
Due to Parent (note 5)		\$ 269,483
Accrued expenses		<u>8,000</u>
Total liabilities		277,483
Stockholder's equity:		
Common stock, \$1 par value, authorized, issued and outstanding 1,000 shares	\$ 1,000	
Additional paid-in capital	1,171,745	
Unrealized loss on marketable securities (note 4)	(8,353)	
Accumulated deficit	<u>(134,135)</u>	
Total stockholder's equity		<u>1,030,257</u>
Total liabilities and stockholder's equity		<u>\$ 1,307,740</u>

See accompanying notes to statement of financial condition.

LN Securities Inc.
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Lepercq, de Neuflyze & Co. Incorporated)

Notes to Statement of Financial Condition

December 31, 2005

(1) General Information and Summary of Significant Accounting Policies

LN Securities Inc., a New York corporation, (the "Company") is a registered broker and dealer in securities under the Securities Exchange Act of 1934. The Company is a wholly owned subsidiary of Lepercq, de Neuflyze & Co. Incorporated (the "Parent").

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits held at a bank and same day settlement money funds held at brokers. The Company no longer maintains direct customer relationships and management does not intend to renew such relationships in the future. Therefore, the Company no longer has cash segregated for the exclusive benefit of customers as was previously required under federal regulations.

Investments

The investment in Lepercq, de Neuflyze/Tocqueville Securities L.P. is accounted for under the equity method. Under the equity method, an investment is initially recorded at cost. Thereafter, the carrying amount of the investment is increased for the investor's share of the investee's earnings and additional contributions and decreased for the investor's share of the investee's losses or for distributions received from the investee. The Company's investments in marketable securities are discussed at Note 4.

Related Party Transactions

As discussed in Note 3, the Company's Parent provides certain services to the Company. The cost of these services is allocated based on estimated usage.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from the estimates.

Income Taxes

In connection with the recognition of deferred income taxes, the Company had no material differences, between the tax basis of assets or liabilities and their reported amounts in the financial statements, that would have resulted in temporary differences as defined in the FASB Statement of Financial Accounting Standards 109, Accounting for Income Taxes. Accordingly, the Company did not recognize a deferred tax asset or liability.

The Company's income or loss is included in the consolidated income tax returns filed by the Parent. The Parent follows the policy of allocating taxes to the Company equivalent to the tax that would have been computed on a separate tax return basis.



LN Securities, Inc.
40 West 57th Street, New York, N.Y. 10019

February 16, 2006

To Whom It May Concern:

The below signed attest that the audited financial statements of LN Securities Inc., as of December 31, 2005 have been made available to all members and allied members of the organization.

Jerome Kushnick
Treasurer

Francois Letaconnoux
President

LN Securities Inc.
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Lepercq, de Neuflyze & Co. Incorporated)

Notes to Statement of Financial Condition

(2) **Concentration of Credit Risk**

Protection is afforded to cash and cash equivalents by the Federal Depositors Insurance Corporation, (FDIC), subject to coverage limitations, by the Securities Investors Protection Corporation (SIPC), and by private insurance.

Investments in the Short Term Inc. Fund – U.S. Government CL A and Vanguard Treasury Money Market Fund are backed by the full faith and credit of the United States of America, to the extent that underlying securities held by the fund are short-term U.S. Treasury obligations.

The following is a summary of the insured and/or collateralized amounts and uninsured amounts at December 31, 2005.

Cash	\$ 25,006
Investment – money market funds	<u>341,903</u>
Total	366,909
Portion insured by FDIC, SIPC, private insurance and collateralized or backed by the full faith and credit of the United States of America	<u>366,909</u>
Uninsured balances	<u><u>\$ -</u></u>

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Notes to Statement of Financial Condition

(3) Net Capital Requirements

The Company, as a registered broker and dealer in securities, is subject to the Uniform Net Capital Rule (Rule 15c3-1) of the Securities and Exchange Commission which requires the maintenance of minimum net capital. Such rule prohibits the Company from engaging in any securities transactions whenever its "aggregate indebtedness" (as defined) exceeds fifteen times its "net capital" (as defined). Under such rule, the Company may be required to reduce its business if its net capital ratio exceeds 12 to 1 and it may be prohibited from expanding its business if its net capital ratio exceeds 10 to 1.

At December 31, 2005, the Company reported net capital of \$977,595, which was \$959,546 in excess of its required net capital of \$18,049. The Company's ratio of aggregate indebtedness to net capital was .28 to 1.

(4) Investments in Marketable Securities

Investments in marketable securities consist of the following at December 31, 2005:

	<u>Cost or Carrying Amount</u>	<u>Fair Market Value</u>
Short Term Inc. Fund – U.S. Government CL A	\$ 308,780	\$ 308,780
Vanguard Treasury Money Market Fund	33,123	33,123
Federal Home Loan Bank Note – 4.0% due 8/24/07	899,707	894,654
NASDAQ Warrants	<u>3,300</u>	<u>-</u>
Total Investments	<u>\$ 1,244,910</u>	<u>\$ 1,236,557</u>

In accordance with Statement of Financial Accounting Standards Number 115, "Accounting for Certain Investments in Debt and Equity Securities", stockholder's equity was reduced by \$8,353 to reflect the unrealized loss on marketable securities.

(5) Related Party Transactions

As part of an agreement with the Company, the Parent provides certain services as may be required by the Company to conduct its business. The cost of such services includes salaries and related expenses, rent, telephone, office supplies and other operating expenses, and is allocated to the Company based on estimated usage. At December 31, 2005 the Company owed its Parent \$269,483 for such services.

As a result of its present tax sharing agreement (note 7), the Company owes its Parent \$400, at December 31, 2005.



Pegg & Pegg LLP
Certified Public Accountants
1430 Broadway
Suite 1105A
New York, NY 10018

Independent Auditor's Supplementary Report on Internal
Control Structure Required by SEC Rule 17a-5

To the Board of Directors of
LN Securities Inc.

In planning and performing our audit of the statement of financial condition of LN Securities Inc. for the year ended December 31, 2005, we considered its internal control structure, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the statement of financial condition 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 (including tests of compliance with such practices and procedures) followed by LN Securities Inc. that we considered relevant to the objectives stated in Rule 17a-5(g), (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13; (3) in 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; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an 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 the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the statement of financial condition 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 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, 2005 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the Securities and Exchange Commission, the New York Stock Exchange, Inc. 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.

New York, NY
February 16, 2006

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