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

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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: Professional Trading Services Brokerage, LLC  
a/k/a PTS Brokerage, LLC  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
East Gate Business Center, 125 C Gaither Drive

OFFICIAL USE ONLY  
FIRM I.D. NO.

(No. and Street)

Mt. Laurel

New Jersey

08054

(City)

(State)

(Zip Code)

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

Richard W. Schank, President, CEO

856-802-9400

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Romeo & Chiaverelli, LLC, CPA's

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

1601 Walnut Street, Suite 815

Philadelphia,

PA 19102

(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 28 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)

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.

SEC 1410 (06-02)

Handwritten signature/initials

OATH OR AFFIRMATION

I, Richard W. Schank, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Professional Trading Services Brokerage, LLC a/k/a PTS Brokerage, 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:

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

X   
\_\_\_\_\_  
Signature  
President, CEO  
\_\_\_\_\_  
Title

  
\_\_\_\_\_  
Notary Public

**JANICE M. SCHANK**  
**NOTARY PUBLIC OF NEW JERSEY**  
**Commission Expires 2/19/2008**

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flow.
- N/A (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- N/A (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- N/A (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- N/A (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- N/A (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.
- N/A (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- N/A (m) A copy of the SIPC Supplemental Report.
- N/A (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) A report on internal accounting control.

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

**FINANCIAL STATEMENTS  
SUPPLEMENTARY INFORMATION  
INDEPENDENT AUDITORS' REPORT AND  
OTHER MATTERS**

**PTS BROKERAGE, LLC**

**DECEMBER 31, 2005**

**PTS BROKERAGE, LLC**

**DECEMBER 31, 2005**

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# ROMEO & CHIAVERELLI LLC

Certified Public Accountants

Joseph A. Romeo, CPA  
Medford, NJ  
(609) 268-9781

1601 Walnut Street, Suite 815  
Philadelphia, PA 19102  
(215) 569-2113  
FAX (215) 972-0787

Anthony Chiaverelli, CPA  
Horsham, PA  
(215) 542-7544

## Independent Auditors' Report

### The Members

**PTS Brokerage, LLC**  
Mt. Laurel, New Jersey

We have audited the accompanying statement of financial condition of **PTS Brokerage, LLC (a Limited Liability Company)** as of December 31, 2005 and the related statements of income and Members' equity and cash flows for the year then ended. 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 amount disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimate made by management, as well as evaluating 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 **PTS Brokerage, LLC (a Limited Liability Company)** as of December 31, 2005 and the results of its operations and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information 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 of the Security Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of 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.



ROMEO & CHIAVERELLI LLC  
February 4, 2006

**PTS BROKERAGE, LLC**  
**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2005**

**ASSETS**

**CURRENT ASSETS**

Cash	\$99,416
Receivables	12,690
Prepaid expenses	<u>4,878</u>
Total current assets	116,984

**PROPERTY AND EQUIPMENT**

Computer equipment	2,862
Furniture	<u>495</u>
	3,357
Less accumulated depreciation	<u>(3,258)</u>
Total property and equipment	<u>99</u>

**Total Assets** \$117,083

**LIABILITIES AND MEMBERS' EQUITY**

**LIABILITIES**

Commissions payable	\$ 17,882
Accrued expenses	<u>4,744</u>
Total current liabilities	22,626

**MEMBER EQUITY** 94,457

**Total Liabilities and Members' Equity** \$117,083

The accompanying notes are an integral part of these  
financial statements

**PTS BROKERAGE, LLC**  
**STATEMENT OF INCOME AND MEMBERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2005**

REVENUE	
Commissions	\$187,435
Investment advisory fees	16,066
Interest income	128
Other income	<u>2,998</u>
Total revenue	206,627
OPERATING EXPENSES	
Employee compensation and benefits	142,209
Occupancy	1,302
Regulatory fee	1,675
Insurance licenses	1,932
Other expenses	<u>13,137</u>
Total operating expenses	<u>160,255</u>
NET INCOME	46,372
Members' equity, beginning of year	<u>48,085</u>
Members' equity, end of year	<u>\$ 94,457</u>

The accompanying notes are an integral part of these  
financial statements

**PTS BROKERAGE, LLC**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2005**

OPERATING ACTIVITIES	
Net income	\$ 46,372
Adjustments to reconcile net income to net cash Provided by operating activities:	
Depreciation	99
Change in:	
Accounts receivable	1,804
Central Registration Depository Escrow	(4,296)
Commissions payable	8,950
Guaranteed payment payable	(21,820)
Accrued expenses	<u>(4,182)</u>
Net cash provided by operating activities and increase in cash	26,927
Cash, beginning of year	<u>72,489</u>
Cash, end of year	<u><u>99,416</u></u>

The accompanying notes are an integral part of these  
financial statements

**PTS BROKERAGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2005**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies applied by management in the preparation of the financial statements.

Organization

PTS Brokerage, LLC (Company) was organized under the Laws of the State of New Jersey in 2001 and was registered as a broker-dealer in August 2002 under the Securities Exchange Act of 1934, as amended. The Company sells mutual funds, life insurance products including variable annuities, provides investment advisory services and provides financial planning services to public customers. The Company is registered in ten states to conduct securities transactions and maintains one branch office.

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 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.

Property and equipment

Property and equipment are carried at cost. Depreciation is provided primarily by the straight-line method over the estimated useful lives of the assets as follows:

Computer equipment	3 year
Furniture	5 year

Revenue recognition

Revenue is recognized from the sale of mutual funds as earned. Revenue from the placement of life insurance products is recognized upon notification of policy acceptance and renewal. Revenue from investment advisory services is recognized as received. Revenue from financial planning services is recognized as billed.

**PTS BROKERAGE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Income taxes*

The Company, a limited liability company, has elected to be taxed for federal and state purposes as a partnership. As a result, the Company is not a taxpaying entity for federal or state income tax purposes and, accordingly, no income tax expense or tax benefit has been recorded in these financial statements. Income or losses from the Company are reflected in the Members' income tax returns.

**NOTE B – NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (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 a ratio of 15 to 1. At December 31, 2005, the ratio was 0.3 to 1. The Company complied with the exemptive provisions of Rule 15c3-3 under subparagraph (k)(1). All customer transactions are limited to the sale and redemption of redeemable securities of registered investment companies, the sale of life insurance products including variable annuities, providing investment advisory services and providing financial planning services. At December 31, 2005, the Company had net capital, as defined, of \$76,790, which was \$71,790 in excess of its required minimum net capital of \$5,000.

**NOTE C – EXPENSE AGREEMENT**

The Company enters into an annual expense agreement with Professional Training Services, a company under common control. Under the agreement, the Company shares space with Professional Training Services and utilizes their telephone and internet services in return for the payment of 5% of Professional Training Services' monthly lease expense and 10% of their monthly telephone and internet services costs. For the year 2005, the Company paid rent expense of \$1,301.73, telephone expense of \$325.07 and internet expense of \$139.80.

*SUPPLEMENTARY INFORMATION*

**PTS BROKERAGE, LLC**  
**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2005**

Total members' equity from Statement of financial condition	\$ 94,457
Deduct non-allowable assets:	
Receivable	12,690
Prepaid expenses	4,878
Property and equipment, net	<u>99</u>
	<u>17,667</u>
Net capital	<u>\$ 76,790</u>
Minimum net capital required per 15c3-1 (a)(2)	<u>\$ 5,000</u>
Aggregate indebtedness from statement of financial condition, net of A-1c liabilities	<u>\$ 22,626</u>
Ration of aggregate indebtedness to net capital	<u>0.29 %</u>
Debt-equity ratio computed in accordance with 15c3-1(d)	<u>0</u>

**PTS BROKERAGE, LLC**  
**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL**  
**UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**OF THE SECURITIES AND EXCHANGE COMMISSION**

**DECEMBER 31, 2005**

Total members' equity according To Form X-17A-5	\$ 91,062
Audit Adjustments	
Prepaid expenses	<u>3,395</u>
Total audit adjustments, net	<u>3,395</u>
Total members' equity according to the audit	<u>\$ 94,457</u>
Reconciliation with Company's computation (included in Part II of Form X-17A-5 as of December 31, 2005:	
Net capital, as reported in Company's Part II (unaudited)	
FOCUS Report	\$ 76,790
Audit adjustments reflected above	3,395
Recomputation of non-allowable assets	<u>(3,395)</u>
Net capital according to the audit	<u>\$ 76,790</u>

*OTHER MATTERS*

# ROMEO & CHIAVERELLI LLC

Certified Public Accountants

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Anthony Chiaverelli, CPA  
Horsham, PA  
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## Report on Internal Accounting Control Required by SEC Rule 17a-5

The Members  
PTS Brokerage, LLC  
Mt. Laurel, New Jersey

In planning and performing our audit of the financial statements of PTS Brokerage, LLC (the "Company") for the year ended December 31, 2005, we considered its internal control, in order to determine our auditing procedures for the purposes of expressing our opinion on the financial statements and not to provide assurances on internal control.

Also, as required by rule 17-a-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 the reserve required by rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of difference required by rule 17a-13, in complying with the requirements for prompt payment for securities of Section 8 of the Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, or in obtaining and maintaining physical possession or control of all paid and excess margin securities of customers as required by rule 15c3-3, since the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practice 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 control 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 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.

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 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 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 use of Members, the National Association of Securities Dealers, Securities and Exchange Commission, the New York Stock Exchange, Inc. (or other designated regulatory organizations) and other regulatory agencies, which rely on Rule 17-a-5 (9) under the Securities Exchange Act of 1934 and should not to be used for any other purpose.



Romeo and Chiaverelli, LLC  
Certified Public Accountants  
February 4, 2006