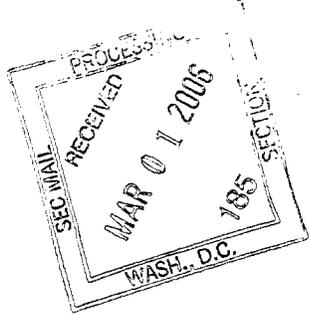


M



06005279

COMMISSION 49

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

CM

SEC FILE NUMBER
8- 26397

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 1/1/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: GROSSMAN & CO., LLC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

2 FOX HOLLOW COURT

(No. and Street)

DIX HILLS

(City)

NEW YORK

(State)

11746

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

CASTIGLIA & EATON

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

7 DAWSON STREET

(Address)

HUNTINGTON STATION

(City)

NEW YORK

(State)

11746

(Zip Code)

CHECK ONE:

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

PROCESSED

APR 26 2006

THOMSON FINANCIAL

FOR OFFICIAL USE ONLY

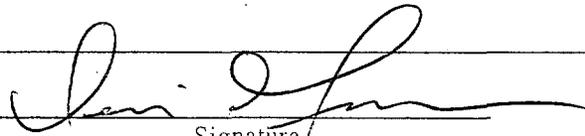
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

19  
4/25

OATH OR AFFIRMATION

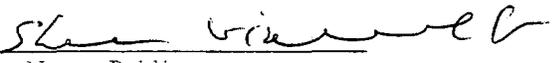
I, DENNIS GROSSMAN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GROSSMAN & CO., LLC, as of DECEMBER 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

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

  
Signature

President  
Title

18<sup>L</sup> Feb 2006

  
Notary Public

**SHAH VINOD F.**  
**NOTARY PUBLIC, State of NEW YORK**  
**No. 4914222**  
**Suffolk County, Exp 7 Dec 2006**

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).

GROSSMAN & CO., LLC

FINANCIAL STATEMENTS  
DECEMBER 31, 2005

# GROSSMAN & CO., LLC

## TABLE OF CONTENTS

Report of Independent Certified Public Accountant .....	1
Financial Statements	
Statement of Financial Condition .....	2
Statement of Income .....	3
Statement of Cash Flows .....	4
Statement of Changes in Owner's Equity .....	5
Supplemental Schedules	
Schedule 1 - Statement of Changes in Liabilities Subordinated to Claims of Creditors .....	6
Schedule 2 - Computation of Net Capital .....	7
Notes to Financial Statements .....	8
Independent Auditor's Report on Internal Accounting Controls Required by SEC Rule 17a-5 .....	9 - 11

**CASTIGLIA & EATON**  
*Certified Public Accountants*  
7 Dawson Street  
Huntington Station, NY 11746-4021  
(631) 424-6500 • (631) 424-6511

**INDEPENDENT AUDITOR'S REPORT**

Mr. Dennis Grossman  
Grossman & Co., LLC  
Dix Hills, New York 11746

We have audited the accompanying Statement of Financial Condition of Grossman & Co., LLC (Note 1) as of December 31, 2005 and the related Statements of Income, Cash Flows and Changes in Owner's Equity for year ended December 31, 2005. 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 generally accepted auditing standards. These 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 Grossman & Co., LLC as of December 31, 2005, and the results of its operations and its cash flows for the year ended December 31, 2005, in conformity with generally accepted accounting principles.

The supplementary data included in Schedules 1 and 2 is presented for supplementary analysis purposes and is not necessary for a fair presentation of the financial position of Grossman & Co., LLC. The supplementary data has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is stated fairly in all material respects only when considered in conjunction with the financial statements taken as a whole.

*Castiglia & Eaton*  
Certified Public Accountants

Huntington Station, New York  
February 19, 2006

GROSSMAN & CO., LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 18,365	
Investments	100,000	
Accounts receivable	<u>76,483</u>	
Total Current Assets		<u>\$ 194,848</u>
Total Assets		<u>\$ 194,848</u>

LIABILITIES AND OWNER'S EQUITY

CURRENT LIABILITIES

Accounts payable	<u>\$ 18,104</u>	
Total Current Liabilities		<u>\$ 18,104</u>
Total Liabilities		<u>\$ 18,104</u>

OWNER'S EQUITY

Total Liabilities and Owner's Equity		<u>\$ 176,744</u>
		<u>\$ 194,848</u>

GROSSMAN & CO., LLC  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUE		
Commissions	\$ 486,655	
Mutual fund income	362	
Interest Income	4,937	
Other income	<u>848</u>	
Total Revenue		\$ 492,802
EXPENSES		
Commission rebate	\$ 500	
Regulatory Fees	9,645	
Trading office expense and execution fees	128,353	
Office expense	15,687	
Insurance	14,283	
Professional fees	1,949	
Software license	<u>10,267</u>	
Total Expenses		<u>180,684</u>
NET INCOME		<u>\$ 312,118</u>

GROSSMAN & CO., LLC  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

CASH FLOWS PROVIDED (USED) FROM OPERATING ACTIVITIES

Net income		\$ 312,118
Adjustments to Reconcile Net Income to Net		
Cash Provided by Operating Activities:		
Changes in Assets and Liabilities Affecting		
Operating Activities:		
Decrease in Accounts receivable	\$ 23,819	
Decrease in Accounts payable	<u>(5,948)</u>	
		<u>17,871</u>
Net Cash Provided by Operating Activities		<u>329,989</u>

CASH FLOWS PROVIDED USED BY FINANCING ACTIVITIES

Partner draws	<u>(334,999)</u>	
Net Cash Used by Financing Activities		<u>(334,999)</u>
Net Decrease in Cash		(5,010)
Cash at January 1, 2005		<u>23,375</u>
Cash at December 31, 2005		<u>\$ 18,365</u>

GROSSMAN & CO., LLC  
STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005

BALANCE - At the Beginning of Year	\$ 199,625
Net Income for the Period	312,118
Contributions	—
Partner draw	<u>(334,999)</u>
BALANCE - At the End of Year	<u>\$ 176,744</u>

GROSSMAN & CO., LLC  
STATEMENTS OF LIABILITIES SUBORDINATED TO CLAIMS OF CREDITORS  
FOR THE YEAR ENDED DECEMBER 31, 2005

SUPPLEMENTAL SCHEDULE 1

Balance - Beginning of Period	\$ - 0 -
Changes - End of Period	<u>- 0 -</u>
Balance - End of Period	<u><u>\$ - 0 -</u></u>

GROSSMAN & CO., LLC  
 COMPUTATION OF NET CAPITAL  
 AS OF DECEMBER 31, 2005

SUPPLEMENTAL SCHEDULE 2

Total Owner's Equity Qualified for Net Capital		\$ 176,744
Add: Liabilities Subordinated to claims of General Creditors		<u>- 0 -</u>
Total Capital and Allowable Subordinated Liabilities		\$ 176,744
Less: Non Allowable Assets (Note 2)		<u>- 0 -</u>
Net Capital Before Haircuts on Securities Position		\$ 176,744
Haircuts on Securities		<u>(1,500)</u>
Net Capital		175,244
Minimum Net Capital Requirement:		
Minimum Dollar Net Capital Required	\$	<u>5,000</u>
Minimum Net Capital Required - 6 <sup>2</sup> / <sub>3</sub> % of Aggregate Indebtness (Note 2)	\$	<u>1,206</u>
Net Capital Requirement (Notes 2 & 4)		<u>5,000</u>
Excess Net Capital (Notes 2 & 4)		<u>\$ 170,244</u>

GROSSMAN & CO., LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. General

Dennis Grossman, a sole proprietor doing business as Grossman & Co., began business November 23, 1981, as a registered broker-dealer.

As of November 2000 Grossman & Co., (a sole proprietorship) ceased doing business as such. The successor entity is Grossman & Co., LLC.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles that assume continuation of the Company as a going concern. The Company recognizes commission income for services performed and related expenses on a settlement date basis.

B. Income Taxes

There are no Federal or New York State income taxes imposed on the net income of a LLC as such. The personal income taxes of the sole proprietorship on income derived from Grossman & Co., LLC are not reflected in these financial statements. Furthermore, the income from the firm reported on the proprietor's personal income tax returns will differ from the income reported herein because said returns are prepared on the cash basis whereas financial statements are prepared on the accrual basis.

**NOTE 2 - NET CAPITAL REQUIREMENT**

At December 31, 2005, the Company had net capital of \$176,744. The minimum net capital requirement of the Company is \$5,000. Excess net capital at December 31, 2005 was \$170,244. The minimum net capital requirement is equal to the greater of the dollar net capital requirement (\$5,000) or 6<sup>2</sup>/<sub>8</sub>% of aggregate indebtedness (\$1,206). The aggregate indebtedness is comprised of accounts payable (\$18,104).

**NOTE 3 - RESERVE REQUIREMENTS**

The Company does not hold funds or securities for, or owe money or securities to, customers. Therefore, the Company is exempt from the reserve requirements as defined by the Securities and Exchange Commission under Rule 15c3-3.

**NOTE 4 - EXCESS NET CAPITAL**

The computation of net capital was compared to the computation of net capital reported on the Unaudited Focus Report as of December 31, 2005. There were no material differences in the computation of net capital of Grossman & Co., LLC.

GROSSMAN & CO., LLC  
REPORT ON INTERNAL ACCOUNTING CONTROLS  
REQUIRED BY SEC RULE 17a-5  
AS OF DECEMBER 31, 2005

**CASTIGLIA & EATON**  
*Certified Public Accountants*  
7 Dawson Street  
Huntington Station, NY 11746-4021  
(631) 424-6500 • (631) 424-6511

Mr. Dennis Grossman  
Grossman & Co. LLC  
2 Fox Hollow Court  
Dix Hills, New York 11746

Dear Mr. Grossman:

We have audited the financial statements of Grossman & Co., LLC (Note 1) for the year ended December 31, 2005 and have issued our report thereon dated February 19, 2006. As part of our audit, we made a study and evaluation of the Company's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also, as required by Rule 17a-5 (g) (1) of the Securities and Exchange Commission, we have made a study of the practices and procedures followed by Grossman & Co., LLC that we considered relevant to the objectives stated in Rule 17a-5 (g) and in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3 (a) (11).

The management of the Company is responsible for establishing and maintaining a system of internal accounting control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of control procedures and of the practice and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. The objectives of a system 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 accordance 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 accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless 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 degree of compliance with them may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system of internal accounting control of Grossman & Co., LLC taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

Mr. Dennis Grossman

Page 2 of 2

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purpose in accordance with the Securities Exchange Commission 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 Commission's objectives.

This report is intended solely for the use of management, the Securities Exchange Commission and the National Association of Securities Dealers and should not be used for any other purpose.

*Castiglia & Eaton*

Certified Public Accountant

Huntington Station, New York

February 19, 2006