

19
9/15



06006732

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AB 3/27/06
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

RECEIVED
MAR 02 2006
MAIL ROOM
SECTION 209
WASH. D.C.

SEC FILE NUMBER
8-48981

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

TEMPER OF THE TIMES INVESTOR SERVICES, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

555 THEODORE FREMD AVENUE

(No. and Street)

RYE NEW YORK 10580
(City) (State) (Zip Code)

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

GERARD MORENO (914) 925-0022
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

D'ARCANGELO & CO., LLP

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

3000 WESTCHESTER AVENUE PURCHASE NEW YORK 10577
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED
JUN 16 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)

SEC 1410 (06-02)

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.

KD
6/16

OATH OR AFFIRMATION

I, GERARD MORENO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of TEMPER OF THE TIMES INVESTOR SERVICES, INC., as of DECEMBER 31, 2005, 20 , 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:

G Moreno
Signature
President
Title

Barbara Latwin
Notary Public

BARBARA LATWIN
Notary Public, State of NY
No. 60-4642420
West Co. Exp. June 30, 2007

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 15c3-1 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).

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

CONTENTS

DECEMBER 31, 2005 AND 2004

	<u>Page</u>
Independent auditor's report	1
Financial statements:	
Statement of financial condition	2
Statement of operations	3
Statement of changes in stockholders' equity	4
Statement of cash flows	5
Statement of changes in liabilities subordinated to claims of general creditors	6
Notes to financial statements	7 - 13
Supplementary information:	
Computation of net capital under rule 15c3-1 of the Securities and Exchange Commission	14
Computation for determination of reserve requirements under rule 15c3-3 of the Securities and Exchange Commission	15
Information relating to possession or control requirements under rule 15c3-3 of the Securities and Exchange Commission	16
Reconciliation pursuant to rule 17a-5(d)(4) of the Securities and Exchange Commission	17
Supplemental report pursuant to rule 17a-5(d)(4) of the Securities and Exchange Commission	N/A
Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit	N/A
Independent auditor's report on internal control	18 - 19

D'Arcangelo & Co. LLP

Certified Public Accountants & Consultants

3000 Westchester Ave., Purchase, N.Y. 10577-2538

914-694-4600 Fax: 914-694-3658

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Temper of the Times Investor Services, Inc.
Rye, New York

We have audited the accompanying statement of financial condition of Temper of the Times Investor Services, Inc., (an S corporation) as of December 31, 2005 and 2004, and the related statements of operations, changes in stockholders' equity, cash flows and changes in liabilities subordinated to claims of general creditors for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide 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 Temper of the Times Investor Services, Inc. as of December 31, 2005 and 2004, and the results of its operations, its cash flows, and its changes in liabilities subordinated to claims of general creditors for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 14 to 17 is required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.

D'Arcangelo + Co., LLP

February 17, 2006

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 67,062	\$ 570,408
Cash segregated under federal and other regulations (note 2)	1,256,914	941,688
Receivables from customers (note 3)	407	760
Securities inventory, at fair value	109,209	102,222
Prepaid expenses	18,528	3,246
Furniture, equipment, and leasehold improvements, net (note 4)	-	19
Due from related entities (note 9)	<u>6,217</u>	<u>7,284</u>
Total assets	<u>\$ 1,458,337</u>	<u>\$ 1,625,627</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Payables to customers	\$ 299,438	\$ 466,065
Accounts payable and accrued expenses	39,689	25,858
Income taxes payable	100	100
Customer liabilities to be escheated	94,632	94,723
Due to related entity	12,363	16,619
Subordinated loan payable, related entity	<u>200,000</u>	<u>200,000</u>
Total liabilities	<u>646,222</u>	<u>803,365</u>
Stockholders' equity:		
Common stock, \$0.10 par value; 1,200,000 shares authorized, 1,066,400 issued and outstanding	106,640	106,640
Additional paid in capital	4,050	4,050
Retained earnings	<u>701,425</u>	<u>711,572</u>
Total stockholders' equity	<u>812,115</u>	<u>822,262</u>
Total liabilities and stockholders' equity	<u>\$ 1,458,337</u>	<u>\$ 1,625,627</u>

See notes to financial statements.

2.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

STATEMENT OF OPERATIONS

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Revenues:		
Service fees	\$ 1,424,267	\$ 1,298,674
Interest and dividend income	35,738	29,278
Mailing list rentals (note 9)	-	110,214
Unrealized gain on securities	6,434	14,538
Other revenue	<u>17</u>	<u>23</u>
Total revenues	<u>1,466,456</u>	<u>1,452,727</u>
Expenses:		
Employee compensation and benefits	150,463	187,186
Marketing and customer benefits (note 9)	1,195,092	1,137,299
Occupancy and equipment rental	31,204	35,265
Postage and mailings	10,534	9,765
Licenses and taxes	16,296	17,184
Professional fees	24,300	20,000
Dues and subscriptions	18,937	12,036
Other operating expenses	17,677	13,305
Interest expense	<u>12,000</u>	<u>12,000</u>
Total expenses	<u>1,476,503</u>	<u>1,444,040</u>
Income (loss) from operations before income taxes	(10,047)	8,687
Provision for income taxes	<u>100</u>	<u>75</u>
Net income (loss)	<u>\$ (10,147)</u>	<u>\$ 8,612</u>

TEMPER OF THE TIMES INVESTOR SERVICES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>Common stock</u>	<u>Additional paid in capital</u>	<u>Retained earnings</u>	<u>Total</u>
Balance, January 1, 2004	\$ 106,640	\$ 4,050	\$ 702,960	\$ 813,650
Net income, year ended December 31, 2004	<u>-</u>	<u>-</u>	<u>8,612</u>	<u>8,612</u>
Balance, December 31, 2004	106,640	4,050	711,572	822,262
Net income (loss), year ended December 31, 2005	<u>-</u>	<u>-</u>	<u>(10,147)</u>	<u>(10,147)</u>
Balance, December 31, 2005	<u>\$ 106,640</u>	<u>\$ 4,050</u>	<u>\$ 701,425</u>	<u>\$ 812,115</u>

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Net income (loss)	\$ (10,147)	\$ 8,612
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	19	4,146
Unrealized gain on securities	(6,434)	(14,538)
(Increase) decrease in operating assets:		
Cash segregated under federal and other regulations	(315,226)	(17,167)
Receivables from customers	353	1,297
(Purchase) of marketable securities inventory	(553)	(5,760)
Prepaid expenses	(15,282)	(1,436)
Due from related entities	1,067	-
Increase (decrease) in operating liabilities:		
Payables to customers	(166,627)	(130,224)
Accounts payable and accrued expenses	13,829	(5,741)
Customer liabilities to be escheated	(90)	(2,777)
Due to related entity	(4,255)	6,958
Income taxes payable	-	(25)
	(503,346)	(156,655)
Net cash (used in) operating activities		
	(503,346)	(156,655)
Net (decrease) in cash		
	570,408	727,063
Cash and cash equivalents, beginning of year		
	67,062	570,408
Cash and cash equivalents, end of year	\$ 67,062	\$ 570,408
Supplemental disclosures:		
Interest paid	\$ 12,000	\$ 12,000
Taxes paid	\$ 100	\$ 100

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Change in subordinated liabilities	\$ -	\$ 200,000
Subordinated liabilities, beginning of year	<u>200,000</u>	<u>-</u>
Subordinated liabilities, end of year	<u>\$ 200,000</u>	<u>\$ 200,000</u>

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1. Summary of significant accounting policies:

Nature of operations

Temper of the Times Investor Services, Inc., (the Company) is engaged in a single line of business as a self-clearing securities broker/dealer, which provides a service to help customers become enrolled in dividend reinvestment plans of publicly-traded companies. This service is provided primarily to subscribers of *The Moneypaper*, a monthly newsletter, *Direct Investing*, a semi-monthly newsletter, and purchasers of the *Guide to Direct Investment Plans*, all of which are published by an affiliate. The Company is a member of the National Association of Securities Dealers ("NASD"). The Company operates in New York and its customers are located throughout the United States.

Receivables from customers

Receivables from customers are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its current assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables from customers. Changes in the valuation allowance are not material to the financial statements.

Securities inventory

Securities inventory is recorded on a settlement date basis and marketable securities are stated at fair value based upon quoted market prices. Unrealized gains and losses are reflected in revenue. The Company's inventory is comprised exclusively of marketable corporate equity securities.

Furniture, equipment and leasehold improvements

Furniture, equipment and leasehold improvements are carried at cost. Depreciation is provided on a straight-line basis using estimated useful lives of 5-7 years.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1. Summary of significant accounting policies (continued):

Revenue recognition

The Company earns a service fee for purchasing securities on behalf of its customers and opening dividend reinvestment plan accounts for those customers with the various publicly held companies. The service fees and the related revenues and expenses in connection with the dividend reinvestment plan service are recognized on a settlement date basis. With respect to the Company's method of conducting business, there is no material difference between the accounting on a settlement date basis as compared to a trade date basis.

Advertising costs

The Company does not do any direct advertising. The Company's promotional efforts are handled by an affiliate. Advertising, marketing and customer service expenses paid to an affiliate were \$1,195,092 and \$1,137,299 for 2005 and 2004, respectively.

Income taxes

The Company's shareholders elected S corporation status for Federal and New York State income tax purposes. All taxable income and expense items are allocated to the shareholders for inclusion in their respective income tax returns. Accordingly, there is no provision for Federal income taxes. The income tax provision consists entirely of current New York State taxes.

There are no deferred taxes as the timing differences between accounting and tax items are immaterial.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all highly-liquid securities with a maturity of three months or less, when purchased, to be cash equivalents.

Accounting for long-lived assets

The Company reviews long-lived assets for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. At December 31, 2005, the Company believes that there has been no impairment of its long-lived assets.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

1. Summary of significant accounting policies (continued):

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

The Company has made certain reclassifications to the prior year financial statements to conform to the current year presentation. Such reclassification had no effect on net income as previously reported.

2. Cash segregated under Federal and other regulations:

Cash has been segregated in a special reserve bank account for the benefit of customers under rule 15c3-3 of the Securities and Exchange Act of 1934.

3. Receivables from customers and payables to customers:

Receivable from customers represent uncollateralized underpayments of security purchases. Underpayments from customers are funded to the reserve account by the operating account. All reasonable attempts are then made to collect the underpayments.

The Company accounts for monies received from customers as a payable until the requested securities are purchased and any excess funds are refunded.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

4. Furniture and equipment:

Furniture and equipment are summarized as follows:

	<u>2005</u>	<u>2004</u>
Furniture and equipment	\$ 315,216	\$ 315,216
Accumulated depreciation	<u>315,216</u>	<u>315,197</u>
	<u>\$ -</u>	<u>\$ 19</u>

Depreciation expense amounted to \$19 and \$4,146 for 2005 and 2004, respectively.

5. Retirement plan:

The Company maintains a 401(k) plan covering all eligible employees. The Company has an option to match the employee contributions. The employees made voluntary plan contributions in 2005 and 2004. The Company did not make any discretionary contributions in either year.

6. Net capital requirements:

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 of \$250,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2005, the Company had net capital of \$877,754, which was \$627,754 in excess of its required net capital of \$250,000. The Company's aggregate indebtedness to net capital ratio was 0.06 to 1.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

7. **Regulation:**

The Company is registered as a broker-dealer with the Securities and Exchange Commission ("SEC"). The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the federal agency responsible for the administration of the federal securities laws. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, such as the NASD, which has been designated by the SEC as the Company's primary regulator. These self-regulatory organizations adopt rules, subject to approval by the SEC, that govern the industry and conduct periodic examinations of the Company's operations. The primary purpose of these requirements is to enhance the protection of customer assets. These laws and regulatory requirements subject the Company to standards of solvency with respect to capital requirements, financial reporting requirements, record keeping and business practices, the use and safekeeping of customers' funds and securities, and the conduct of directors, officers and employees.

Securities firms are also subject to regulation by state securities administrators in those states in which they conduct business.

8. **Concentrations:**

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions, which from time to time exceed the Federal depository insurance coverage limit. The Company maintains its cash accounts with high quality financial institutions to minimize risk.

Business risk

The Company's revenues and profitability is affected by many conditions, including changes in economic conditions, inflation, political events, and investor sentiment. Because these factors are unpredictable and beyond the Company's control, earnings may fluctuate significantly from year to year.

Stock purchases

The Company uses a market maker and a broker-dealer to purchase the stock used to fulfill customer enrollment orders. A change in brokerage firms could cause an increase in transaction costs and a possible loss of sales, which could adversely affect operating results.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

9. Related party transactions:

The Company paid \$1,195,092 and \$1,137,299 for 2005 and 2004, respectively, to an affiliate for subscriptions to financial publications of the affiliate.

For services rendered to the affiliate's subscribers, the Company received \$1,124,575 and \$952,855 from an affiliate in 2005 and 2004, respectively.

Due from related entities

This receivable is non-interest bearing and is a result of transactions occurring between the affiliates in the normal course of business.

Due to related entity

This payable is non-interest bearing and is a result of transactions occurring between the affiliates in the normal course of business.

Subordinated loan payable, related party

The Company received a \$200,000 loan from an affiliate in 1999. The loan was due in full on December 1, 2003 with interest at 6% per annum. The affiliate agreed to subordinate any right to receive payment of principal to the prior payment or provision for payment in full against all claims of all present and future creditors of the Company arising out of any matter occurring prior to the date the obligation matures. On November 28, 2003, the affiliate extended the maturity date of the loan to January 31, 2007 and the interest rate was maintained at 6%. On December 26, 2003, the Company filed an application with the National Association of Securities Dealers to extend the subordination until January 31, 2007. The subordination was approved effective January 30, 2004.

The Company recorded interest of \$12,000 for 2005 and 2004 on the above loan. In 2005, the unpaid interest was included in "Due to related entity". During the year ended December 30, 2004, the Company paid all the accrued interest on the loan.

Mailing list rental

During the year ended December 30, 2004, an affiliate paid the Company \$110,214 representing fees charged for the use of the Company's customer list.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

9. **Related party transactions (continued):**

Administrative expenses - postage, telephone, office supplies

The Company and its affiliate share office space and administrative expenses. Expenses are allocated based on the amount of usage. The affiliate subsidizes the Company's mailing costs as promotional materials are sent out with the purchase confirmations.

Rental expense

The Company leases its office premises from an affiliate pursuant to a lease which expires on August 31, 2006.

The following summarizes, by year, future minimum lease payments under this lease for the next year as of December 31, 2005:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2006	<u>\$ 19,570</u>

Rent expense totaled \$31,185 and \$31,037 for 2005 and 2004, respectively.

10. **Financial instruments:**

Substantially all the Company's financial instruments are carried at fair value or amounts that approximate fair value.

11. **Securities in the process of transfer:**

The Company fulfills customer orders by purchasing securities through brokers and arranges for the transfer of the shares purchased to the ultimate owner through the respective transfer agents. The Company does not record the value of securities in the process of transfer in the accompanying financial statements. The value of securities purchased in the process of transfer totals \$33,979 at December 31, 2005.

TEMPER OF THE TIMES INVESTOR SERVICES, INC.
COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2005

NET CAPITAL

Total stockholders' equity	\$ 812,115
Add: Subordinated borrowings allowable for net capital	<u>200,000</u>
Total capital and allowable subordinated borrowings	<u>1,012,115</u>
Deductions and/or charges	
Nonallowable assets:	
Receivables from customers	407
Prepaid expenses	18,528
Due from related entities	<u>6,217</u>
	<u>25,152</u>
Net capital before haircuts on securities positions	<u>986,963</u>
Haircuts:	
Securities inventory	<u>109,209</u>
Total haircuts	<u>109,209</u>
Net capital	<u><u>\$ 877,754</u></u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition:	
Payables to customers	\$ 299,438
Accounts payable and accrued expenses	39,689
Customer liabilities to be escheated	94,632
Income taxes payable	100
Due to related entity	<u>12,363</u>
	446,222
Less adjustment based on special reserve bank accounts	<u>394,070</u>
Total aggregate indebtedness	<u><u>\$ 52,152</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital under rule 15c3-1(a)(1)(i)	<u>\$ 3,477</u>
Minimum net capital under rule 15c3-1(a)(2)(i)	<u>\$ 250,000</u>
Required minimum net capital (greater of rule 15c3-1(a)(1)(i) or rule 15c3-1(a)(2)(i))	<u>\$ 250,000</u>
EXCESS CAPITAL AT STANDARD MINIMUM	<u>\$ 627,754</u>
EXCESS NET CAPITAL AT 1500%	<u>\$ 874,277</u>
RATIO: AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>0.06 to 1</u>

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER
RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION

DECEMBER 31, 2005

Credit balances:

Free credit balances and other credit balances in customers' securities accounts	\$ 299,438
Customer liabilities to be escheated	94,632
Market value of securities which are in transfer in excess of 40 calendar days and have not been confirmed to be in transfer by the agent or the issuer during the 40 days	<u>-</u>
Total credit balances	394,070

Debit balances:

Total debit balances	<u>-</u>
----------------------	----------

Reserve computation:

Excess of total credits over total debits	394,070
Cash segregated under federal and other regulations	<u>1,256,914</u>
Excess of amount on deposit in 'Reserve Bank Accounts' over amount required	<u>\$ 862,844</u>

Reconciliation to FOCUS report:

Reconciliation with Company's computation (included in Part II of Form X-17a-5 as of December 31, 2005):

Excess of total credits, as reported in Company's Part II (unaudited) FOCUS report	<u>\$ 394,071</u>
Audit adjustments:	
Other	<u>(1)</u>
Total audit adjustments	<u>(1)</u>
Reserve requirement per audited financial statements	<u>\$ 394,070</u>

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

**INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15C3-3 OF THE SECURITIES AND EXCHANGE COMMISSION**

1. Customers' fully paid and excess margin securities not in respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date but for which the required action was not taken by respondent within the time frames specified under rule 15c3-3)

None

A. Number of items None

2. Customers' fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from temporary lags which result from normal business operations as permitted under rule 15c3-3

None

A. Number of items None

TEMPER OF THE TIMES INVESTOR SERVICES, INC.

**RECONCILIATION PURSUANT TO RULE 17A-5(D)(4) OF THE SECURITIES
AND EXCHANGE COMMISSION**

DECEMBER 31, 2005

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	<u>\$ 890,735</u>
Audit adjustments:	
Record prepaid expenses	18,528
Record accrued expenses	(29,234)
Increase depreciation	(19)
Adjust non-allowable receivables	(1,712)
Other	<u>(544)</u>
Total audit adjustments	<u>(12,981)</u>
Net capital per audited financial statements	<u>\$ 877,754</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

To the Board of Directors
Temper of the Times Investor Services, Inc.
Rye, New York

In planning and performing our audit of the financial statements and supplementary schedules of Temper of the Times Investor Services, Inc. (the Company), for the year ended December 31, 2005, we considered its internal control, including control activities 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.

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 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 the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e).
2. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of the Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.
4. 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 internal control 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 controls, 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 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 accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

(Continued)

Because of the 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 weakness 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 the employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that are considered 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 practice 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 the Board of Directors, management, the SEC, the National Association of Securities Dealers, and other regulatory agencies that 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.

D'Arcangelo + Co., LLP

February 17, 2006