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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20503



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**ANNUAL AUDITED REPORT**

**FORM X-17A-5  
PART III  
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

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sontag Securities LLC

OFFICIAL USE ONLY

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

FIRM I. D. 127857

261 Madison Avenue  
New York, NY 10016

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

Robert Song

212-382-6144

**PROCESSED**

**JUN 08 2006**

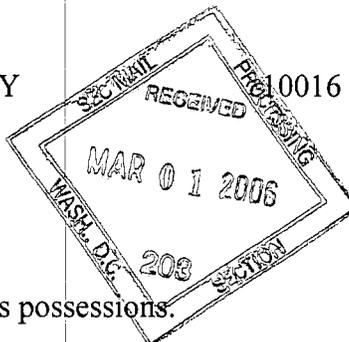
**B. ACCOUNTANT IDENTIFICATION**

**THOMSON  
FINANCIAL**

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

Most & Company, LLP  
275 Madison Avenue

New York NY 10016



**CHECK ONE:**

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

**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)

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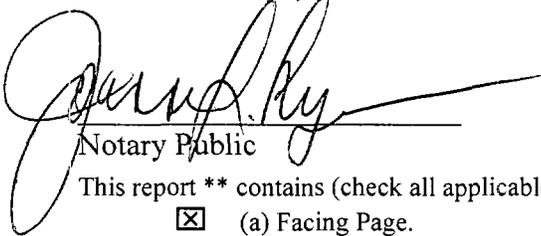
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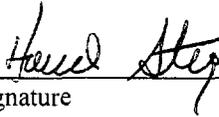
**OATH OR AFFIRMATION**

I, Howard Sontag, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sontag Securities, 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:

None

JOHNNE L. LYNN  
Notary Public, State of New York  
No. 0090347  
Qualified in Secretary's Count:  
Commission Expires **NOV 30, 2009**

  
Notary Public

  
Signature

Member  
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss) and Member's Equity.
- (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).

All others are none or not applicable

**Most & Company, LLP**  
**Certified Public Accountant**

**275 Madison Avenue**  
**New York, NY 10016**  
**Tel 212-286-9800**  
**Fax 212-682-5629**

February 22, 2006

Mr. Howard Sontag, Member  
Sontag Securities LLC

Independent Auditors' Report

We have audited the accompanying statement of financial condition of Sontag Securities LLC (Company), as of December 31, 2005, and the related statements of income and changes in member's equity and cash flow for the year then ended 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. Those 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 Sontag Securities 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in pages 7 to 8 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 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit 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.

New York, New York



Most & Company, LLP

SONTAG SECURITIES LLC  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005

Assets	
Current Assets	
Cash	\$ 77,330
Fee income receivable	33,331
Due from affiliated company	<u>57,146</u>
Total Assets	<u>\$ 167,807</u>
Liabilities and Member's Equity	
Current Liabilities	
Accounts payable and accrued expenses	\$ 100
Income taxes payable	750
Deferred income taxes	<u>1,500</u>
Total Current Liabilities	<u>2,350</u>
Member's Equity	<u>165,457</u>
Total Liabilities and Member's equity	<u>\$ 167,807</u>

See notes to financial statements

SONTAG SECURITIES LLC

STATEMENT OF INCOME AND MEMBER'S EQUITY  
YEAR ENDED DECEMBER 31, 2005

Fee income	<u>\$ 121,401</u>
Operating Expenses	
Commission expenses	20,852
Administrative expenses	18,036
Consulting fees	8,650
Professional fees	7,247
Registration fees	4,133
Insurance expense	527
Miscellaneous	<u>76</u>
Total Operating Expenses	<u>59,521</u>
Income before income taxes	61,880
Income taxes	<u>521</u>
Net income	61,359
Member's Equity – January 1, 2005	<u>104,098</u>
Member's Equity – December 31, 2005	<u><u>\$ 165,457</u></u>

See notes to financial statements

SONTAG SECURITIES LLC  
STATEMENT OF CASH FLOW  
YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities	
Net income	\$61,359
Adjustments to reconcile net income to net cash provided by operating activities	
Changes in assets and liabilities	
Fee income receivable	( 3,620)
Income taxes payable	<u>(1,250)</u>
Net cash provided by operating activities	56,489
Cash flows from investing activities	
Decrease in due from affiliated company	<u>11,219</u>
Net increase in cash	67,708
Cash – January 1, 2005	<u>9,622</u>
Cash – December 31, 2005	<u>\$ 77,330</u>

See notes to financial statements

## SONTAG SECURITIES LLC

### NOTES TO FINANCIAL STATEMENTS

#### 1. OPERATIONS AND ORGANIZATION

Sontag Securities LLC (Company) is a non-clearing broker-dealer (that does not carry customer accounts) registered with the Securities and Exchange Commission (SEC) and the National Association of Securities Dealers (NASD). The Company is exempt from SEC rule 15c3-3.

The Company derives their revenues from fees earned from the sales of mutual funds.

The Company was organized on May 27, 2003 in the State of New York and was registered with NASD on January 28, 2004.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The financial statements include all the accounts of the Company.

##### Fee Income

Fee income is recognized on the effective date of the underlying transaction.

##### Financial Instruments

The carrying amounts of financial instruments, including cash, fee income receivable, due from affiliated company, accounts payable and accrued expenses and income taxes payable, approximate their fair values because of their relatively short maturities.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### Deferred income taxes

Deferred income taxes have been provided for temporary differences between financial statement and income tax reporting under the liability method, using expected tax rates and laws that are expected to be in effect when the differences are expected to reverse, resulting from the use of the cash basis for income tax reporting

### New Accounting Pronouncements

Management does not believe that any recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying financial statements.

### 3. DUE FROM AFFILIATED COMPANY

Due from affiliated company, payable on demand, without interest. Through July 31, 2005 the affiliated company was substantially owned by the managing member of the Company until sold to an unaffiliated entity.

Commencing August 1, 2005, the Company incurred commissions to the affiliated company of \$20,852.

### 4. INCOME TAXES

As a limited liability company, the Company is not required to pay Federal and New York State income taxes. The Company is required to pay New York City unincorporated business tax.

For the year ended December 31, 2005, income taxes consisted of current taxes of \$521.

### 5. NET CAPITAL REQUIREMENTS

The Company is subject to the SEC's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital. At December 31, 2005, the Company had net capital of \$74,980, which was \$69,980 in excess of its required net capital of \$5,000. The Company's net capital ratio was 15 to 1.

### 6. EXPENSE AGREEMENT

For the year ended December 31, 2005 the affiliated company paid office and overhead expenses on behalf of the Company and the affiliated company. The affiliated company then allocates to the Company its share of these combined expenses, based on revenues of each.

### 7. CONCENTRATIONS

For the year ended December 31, 2005, all income and, as of December 31, 2005, all fee income receivable were from one group of mutual funds.

SONTAG SECURITIES LLC

COMPUTATION OF NET CAPITAL UNDER RULE 15C3-1 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2005

Total Member's Equity	\$165,457
Less: non allowable items	
Fee income receivable	( 33,331)
Due from affiliated company	( <u>57,146</u> )
Net Capital	<u>\$ 74,980</u>
Net Capital Required	<u>\$5,000</u>

See notes to financial statements and independent auditors' report

SONTAG SECURITIES LLC  
RECONCILIATION OF THE COMPUTATION OF NET CAPITAL  
UNDER RULE 15C3-1 AND THE  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS  
UNDER EXHIBIT A OF RULE 15C3-3 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
DECEMBER 31, 2005

Net Capital – Part IIA	\$ 73,830
Commission expense	( 3,020)
Fee	( 100)
Income taxes	1,250
Loan from affiliate	<u>3,020</u>
Net Capital – Part III	<u>\$ 74,980</u>

See notes to financial statements and independent auditors' report

**Most & Company, LLP**  
**Certified Public Accountants**

**275 Madison Avenue  
New York, NY 10016  
Tel 212-286-9800  
Fax 212-682-5629**

February 22, 2006

Mr. Howard Sontag, Member  
Sontag Securities LLC  
261 Madison Avenue  
New York, NY 10016

In planning and performing our audit of the financial statements and supplemental schedules of Sontag Securities LLC (Company), as of and for the year ended December 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities 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 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 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 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. 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 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 the Board of Directors, management, the SEC, NASD 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.

New York, New York

A handwritten signature in cursive script, appearing to read "Most & Company, LLP".

Most & Company, LLP