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

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

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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:
SANDGRAIN SECURITIES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
1050 FRANKLIN AVENUE

FIRM ID NO.
00000000000000000000
STATE
00000000000000000000
00000000000000000000

(No. and Street)

GARDEN CITY
(City)

NY
(State)

11530
(Zip Code)

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

(516) 742-4488

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
KAUFMANN, GALLUCCI & GRUMER LLP

JUN 12 2006

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

THOMSON
FINANCIAL

ONE BATTERY PARK PLAZA
(Address)

NEW YORK
(City)

NY
(State)

10004
(Zip Code)

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)

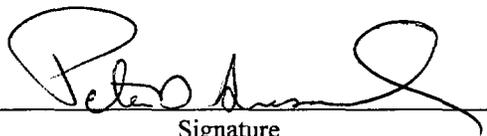
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[Handwritten signature]

OATH OR AFFIRMATION

I, PETER GRASSEL, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SANDGRAIN SECURITIES, INC., 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:

BARBARA LYNN HARLAND
NOTARY PUBLIC STATE OF NY
NO. 01H4034002
QUALIFIED IN NASSAU COUNTY
COMMISSION EXPIRES 12-20-09



Signature

PRESIDENT

Title

Barbara Lynn Harland
Notary Public

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (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.
- (o) Independent auditor's report on internal control.

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



SANDGRAIN SECURITIES, INC.

**REPORT ON STATEMENT OF
FINANCIAL CONDITION**

AS OF DECEMBER 31, 2005

SANDGRAIN SECURITIES, INC.

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**KAUFMANN,
GALLUCCI &
GRUMER LLP**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholder of Sandgrain Securities, Inc.:

We have audited the accompanying statement of financial condition of Sandgrain Securities, Inc. (the "Company") as of December 31, 2005, that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. 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 as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement as well as 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 statement referred to above presents fairly, in all material respects, the financial position of Sandgrain Securities, Inc. as of December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

January 24, 2006

Kaufmann, Gallucci & Grumer LLP

SANDGRAIN SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2005

ASSETS

Cash and cash equivalents	\$	1,113,728
Receivable from clearing organization		311,048
Deposit with clearing organization		100,000
Securities owned:		
Marketable, at market value		62,200
Not readily marketable, at estimated fair value		920,615
Furniture and equipment, net of accumulated depreciation of \$262,303		35,659
Employee advances and other assets		229,585
		2,772,835
TOTAL ASSETS	\$	2,772,835

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities:

Commission payable	\$	274,611
Accounts payable and accrued expenses		159,539
Income taxes payable, including deferred taxes of \$394,696		666,059
		1,100,209
TOTAL LIABILITIES		1,100,209

Commitments and contingencies

Subordinated borrowings		250,000
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Shareholder's equity:

Common stock, no par value, authorized 200 shares, 10 shares issued and outstanding		1,000
Additional paid-in capital		187,875
Retained earnings		1,233,751
		1,422,626

TOTAL SHAREHOLDER'S EQUITY		1,422,626
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TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	\$	2,772,835
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The accompanying notes are an integral part of this financial statement.

SANDGRAIN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2005

NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Sandgrain Securities, Inc. (the "Company"), a wholly owned subsidiary of United Business Owners, Inc., was incorporated under the laws of the State of New York in October 1989. The Company conducts business as a broker-dealer in securities and received approval from the Securities and Exchange Commission in 1990 to conduct such business. During 1992, the Company became a member of the National Association of Securities Dealers, Inc. and commenced business during 1993.

The Company clears all securities transactions through another broker-dealer on a fully disclosed basis. The agreement between the Company and its clearing broker provides that the Company is obligated to assume any exposure related to nonperformance by its customers. The Company seeks to control the risk associated with nonperformance by monitoring all customer activity and reviewing information it receives from its clearing broker on a daily basis.

The Company acts as an agent in the private placements of securities. During the year ended December 31, 2005, one customer comprised approximately 41% of the Company's private placement fees and other income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The Company records proprietary securities transactions and commission revenue and related expenses on a settlement date basis. The revenue and expenses from such transactions would not be materially different if reported on a trade date basis.

Cash and cash equivalents represent cash and highly liquid investments with maturity dates of three months or less from the date of acquisition.

Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets.

The Company maintains cash in a bank account which, at times, may exceed federally insured limits.

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

SANDGRAIN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2005

NOTE 2 - CONTINUED

and disclosure of contingent assets and liabilities as of December 31, 2005, and the reported amounts of revenues and expenses during the year then ended. Actual results could differ from those estimates.

NOTE 3 - RECEIVABLE FROM AND DEPOSIT WITH CLEARING ORGANIZATION

The receivable from clearing organization primarily represents the net of commissions receivable for customer transactions generated in December 2005 and received in January 2006. The deposit with the clearing organization is required by the clearing agreement.

NOTE 4 - INCOME TAXES

The components of the income tax provision as of December 31, 2005 were:

Federal	\$175,805
State	<u>54,499</u>
Total	<u>\$230,304</u>

The Company is included with its Parent in a consolidated tax return. The above tax provisions represent the Company's share of the estimated consolidated tax for 2005. The tax provision for the year ended December 31, 2005, differed from the amount computed by applying the statutory federal tax rate of 34% due to permanent and temporary timing differences relating to certain items of income and expense.

NOTE 5 - SUBORDINATED LOAN AGREEMENT

At December 31, 2005, the Company had borrowings of \$250,000 from its Parent which were unconditionally subordinated to all claims of general creditors pursuant to a written agreement. The subordination agreement is subject to the rules and regulations of the Securities and Exchange Commission, and thus, the borrowings are available in computing net capital as defined. The agreement is scheduled to mature on July 31, 2006, unless extended. The loan is interest bearing at a rate of 9.60% per annum. During 2005, the Company paid its Parent \$24,000 in interest on the loan.

SANDGRAIN SECURITIES, INC.
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2005

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company leases office space under an operating lease which expires May 31, 2010. Future minimum annual payments required as of December 31, 2005 over the term of the current lease are as follows:

<u>Year ended</u> <u>December 31</u>	<u>Minimum</u> <u>lease payments</u>
2006	273,865
2007	282,813
2008	341,672
2009	303,289
Through May 2010	<u>128,068</u>
Total	<u>\$1,329,707</u>

The Company and several former employees are named in a complaint brought by customers relating to securities transactions. The allegations are being vigorously defended by management who believes, after consultation with outside counsel, that there will be no material adverse affect on the financial condition of the Company.

NOTE 7 - REGULATORY REQUIREMENTS

As a registered broker-dealer, 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 15 to 1. Net capital and aggregate indebtedness change from day to day. At December 31, 2005, the Company had net capital of \$845,862 which was \$745,862 in excess of the required minimum net capital at that date of \$100,000. The Company's aggregate indebtedness to net capital ratio was .84 to 1.