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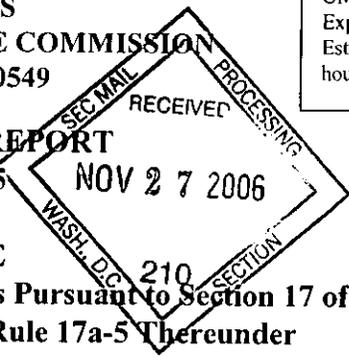
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

OMB APPROVAL
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REPORT FOR THE PERIOD BEGINNING 10/01/05 AND ENDING 09/30/06  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Little and Company Investment Securities

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

211 West Wall Street

(No. and Street)

Midland

(City)

TX

(State)

79701

(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

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

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

CF & Co., L.L.P.

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

14175 Proton Rd.

(Address)

Dallas

(City)

TX

(State)

75244

(Zip Code)

CHECK ONE:

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

PROCESSED

DEC 22 2006

THOMSON FINANCIAL

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\*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)

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LITTLE AND COMPANY INVESTMENT SECURITIES

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED SEPTEMBER 30, 2006

# LITTLE AND COMPANY INVESTMENT SECURITIES

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**CF & Co., L.L.P.**  
CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Little and Company Investment Securities

We have audited the accompanying statement of financial condition of Little and Company Investment Securities as of September 30, 2006, and the related statements of income, changes in stockholder's equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended that you are filing 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 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 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 Little and Company Investment Securities, as of September 30, 2006 and the results of its operations and its cash flows 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 information contained in Schedules I and II 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 financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'CF &amp; Co., L.L.P.', is written over the printed name.

CF & Co., L.L.P.

Dallas, Texas  
November 10, 2006

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Financial Condition

September 30, 2006

**ASSETS**

Cash and cash equivalents	\$ 67,351
Receivable from broker-dealers and clearing organizations	896,631
Federal income taxes receivable	6,391
Securities owned, at market value	264,614
Property and equipment, net of accumulated depreciation of \$172,502	121,525
Artwork	<u>39,105</u>
	<u>\$ 1,395,617</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accrued pension	<u>\$ 155,161</u>
-----------------	-------------------

**Stockholder's equity**

Common stock, 1,000,000 shares authorized with \$1 par value, 27,721 shares issued and outstanding	27,721
Retained earnings	<u>1,212,735</u>
Total stockholder's equity	<u>1,240,456</u>
	<u>\$ 1,395,617</u>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Income

For the Year Ended September 30, 2006

**Revenues**

Securities commissions	\$ 253,202
Loss on firm securities trading accounts	(80,997)
Interest income	33,814
Other	2,474
	<hr/>
	208,493

**Expenses**

Registered representatives compensation	41,150
Pension expense	195,857
Salaries	57,157
Communications	31,377
Occupancy and equipment costs	21,392
Promotional costs	10,343
Regulatory fees and expenses	13,442
Other expenses	18,478
	<hr/>
	389,196

Net loss before income taxes	(180,703)
State and federal income tax benefit	9,680
	<hr/>
Net income (loss)	<u>\$ (171,023)</u>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES  
Statement of Changes in Stockholder's Equity  
For the Year Ended September 30, 2006

	<u>Common Stock</u>	<u>Retained Earnings</u>	<u>Total</u>
Balances at September 30, 2005	\$ 27,721	\$ 1,383,758	\$ 1,411,479
Net income (loss)	<u>          --</u>	<u>(171,023)</u>	<u>(171,023)</u>
Balances at September 30, 2006	<u>\$ 27,721</u>	<u>\$ 1,212,735</u>	<u>\$ 1,240,456</u>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES  
Statement of Changes in Liabilities  
Subordinated to Claims of General Creditors  
For the Year Ended September 30, 2006

Subordinated liabilities at September 30, 2005	\$	--
Increases		--
Decreases		--
		<hr/>
Subordinated liabilities at September 30, 2006	\$	--
		<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

LITTLE AND COMPANY INVESTMENT SECURITIES

Statement of Cash Flows

For the Year Ended September 30, 2006

**Cash flows from operating activities:**

Net loss	\$ (171,023)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:	
Depreciation	6,882
Changes in operating assets and liabilities:	
Increase in receivables from broker-dealers and clearing organizations	(88,353)
Decrease in prepaid assets	15,696
Increase in securities owned	(264,614)
Decrease in state income tax payable	(3,289)
Decrease in federal income taxes receivable	360,418
Increase in accrued pension liability	<u>155,161</u>
Net cash provided (used) by operating activities	<u>10,878</u>

**Cash flows from investing activities:**

Purchase of property and equipment	(12,416)
Purchase of artwork	<u>(17,520)</u>
Net cash provided (used) by investing activities	<u>(29,936)</u>

**Cash flows from financing activities:**

Net cash provided (used) by financing activities	<u>--</u>
Net decrease in cash and cash equivalents	(19,058)
Cash and cash equivalents at beginning of year	<u>86,409</u>
Cash and cash equivalents at end of year	<u><u>\$ 67,351</u></u>

**Supplemental Disclosures of Cash Flow Information**

Cash paid during the year for:

Interest	<u>\$ --</u>
Federal income taxes	<u><u>\$ --</u></u>

The accompanying notes are an integral part of these financial statements.

## LITTLE AND COMPANY INVESTMENT SECURITIES

### Notes to Financial Statements

September 30, 2006

#### Note 1 - Organization and Operation

The Company is a broker-dealer in securities registered with the Securities and Exchange Commission under (SEC) Rule 15c3-3 (k)(2)(ii) which provides that all the funds and securities belonging to the Company's customers would be handled by a correspondent broker-dealer. Receivables from brokers and dealers are due from the Company's correspondent. Approximately, 95% of the Company's commission business is with customers located in the Midland/Odessa metroplex. The Company also organizes illiquid publicly traded corporations and subsequently sells or merges them with private operating companies.

#### Note 2 - Accounting Policies Followed by the Company

##### **Securities Transactions and Valuations**

Security transactions are recorded on a trade date basis. Commission income and expenses are recorded on a settlement date basis, generally the third business day following the transaction. If materially different, commission income and expenses are recorded on a trade date basis.

Company owned securities and investments are carried at market value. Securities and investments which are not readily marketable are carried at fair value as determined by management of the Company. The increase or decrease in net unrealized appreciation or depreciation of securities is credited or charged to operations.

##### **Property and Equipment**

Property and equipment are stated at cost. Property and equipment are depreciated using an accelerated method over the estimated useful lives of five to seven years. The building is depreciated over 39 years using a straight-line method.

##### **Accounting Estimates**

The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2006

Note 2 - Accounting Policies Followed by the Company, continued

**Income Taxes**

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of assets and liabilities for financial and income tax reporting. Deferred taxes are also recognized for operating losses that are available to offset future taxable income, subject to a valuation allowance. There were no deferred tax assets or liabilities at September 30, 2006.

**Other**

Advertising costs are expensed as incurred. Advertising expenditures for the year ended September 30, 2006 were \$10,343.

Compensated absences have not been accrued because the amount cannot be reasonably estimated.

For purposes of reporting cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than ninety days, that are not held for sale in the ordinary course of business.

Note 3 - Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis.

At September 30, 2006, the Company had net capital of approximately \$1,012,480 and net capital requirements of \$250,000. The Company's ratio of aggregate indebtedness to net capital was .15 to 1. The Securities and Exchange Commission permits a ratio of no greater than 15 to 1.

Note 4 - Possession or Control Requirements

The Company does not have any possession or control of customer funds or securities. There were no material inadequacies in the procedures followed in adhering to the exemptive provisions of (SEC) Rule 15c3-3(k)(2)(ii) by promptly transmitting all customer funds and securities to the clearing broker who carries the customer accounts.

LITTLE AND COMPANY INVESTMENT SECURITIES

Notes to Financial Statements

September 30, 2006

Note 5 - Property and Equipment

Property and equipment are summarized as follows:

Furniture and equipment	\$ 133,436
Building and improvements	135,591
Land	<u>25,000</u>
Total	294,027
Less: accumulated depreciation	<u>(172,502)</u>
	<u>\$ 121,525</u>

Depreciation expense for the year ended September 30, 2006 was \$6,882.

Note 6 - Concentration of Risk

The Company had cash balances in excess of Federally insured limits of \$100,000 at various times throughout the year ended September 30, 2006.

Note 7 - Commitments and Contingencies

Included in the Company's clearing agreement with its clearing broker-dealer, is an indemnification clause. This clause relates to instances where the Company's customers fail to settle security transactions. In the event this occurs, the Company will indemnify the clearing broker-dealer to the extent of the net loss on the unsettled trade. At September 30, 2006, management of the Company had not been notified by the clearing broker-dealer, nor were they otherwise aware, of any potential losses relating to this indemnification.

Note 8 - Defined Benefit Pension Plan

The Company has a defined benefit pension plan (the "Plan") covering substantially all of its employees. The benefits are based on years of service and an employee's average monthly compensation. The Company's funding policy is to contribute annually the maximum amount that can be deducted for federal income tax purposes. The following tables provide further information about the Plan:

LITTLE AND COMPANY INVESTMENT SECURITIES  
Notes to Financial Statements  
September 30, 2006

Note 8 - Defined Benefit Pension Plan, continued

	<u>Pension Benefits</u>
Fair value of Plan assets at September 30, 2006	\$ 299,740
Benefit obligation at September 30, 2006	<u>454,901</u>
Funded status	<u>\$ (155,161)</u>
Prepaid (accrued) benefit cost recognized in the balance sheet	<u>\$ (155,161)</u>
Expected contribution	\$ 40,000
Net periodic benefit cost	\$ 100,533
Cumulative employer contributions	\$ 325,000
Expected benefits to be paid in next 5 years	\$ -0-
Expected benefits to be paid thereafter	\$1,409,100

The basis used to determine the overall expected long-term rate of return on assets is based on several factors including historical returns and other factors that are pertinent to an understanding of the strategies of the Company. These factors are as follows:

Weighted-average assumption as of September 30, 2006:	
Discount rate	7.0%
Expected return on Plan assets:	
To retirement	6.7%
After retirement	5.0%
Rate of compensation increase	None

The basis used to determine the target allocation percentages and other factors that are pertinent to understanding the strategies of the Plan are set by the Company. At September 30, 2006, there was not a significant difference between target allocation percentages and actual plan asset allocations. At September 30, 2006, Plan assets were allocated as follows:

Asset Category:	
Cash and cash equivalents	17%
Equity securities	59%
Mutual funds	<u>24%</u>
Total	<u>100%</u>

Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934  
As of September 30, 2006

**Schedule I**

**LITTLE AND COMPANY INVESTMENT SECURITIES**

**Computation of Net Capital Under Rule 15c3-1**

**of the Securities and Exchange Commission**

**As of September 30, 2006**

**COMPUTATION OF NET CAPITAL**

Total stockholder's equity qualified for net capital		\$ 1,240,456
Deductions and/or charges		
Non-allowable assets:		
Federal income tax receivable	\$ 6,391	
Property and equipment	121,525	
Artwork	39,105	(167,021)
		<u>                    </u>
Net capital before haircuts on securities positions		1,073,435
Haircuts on securities (computed, where applicable, pursuant to rule 15c3-1(f)):		
Other securities		<u>(60,955)</u>
Net capital		<u><u>\$ 1,012,480</u></u>

**AGGREGATE INDEBTEDNESS**

Items included in statement of financial condition		
Accrued pension liability		<u>\$ 155,161</u>
Total aggregate indebtedness		<u><u>\$ 155,161</u></u>

**Schedule I (continued)**

**LITTLE AND COMPANY INVESTMENT SECURITIES**  
**Computation of Net Capital Under Rule 15c3-1**  
**of the Securities and Exchange Commission**  
**As of September 30, 2006**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

Minimum net capital required (6 2/3% of total aggregate indebtedness)	<u>\$ 10,349</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 250,000</u>
Net capital requirement (greater of above two minimum requirement amounts)	<u>\$ 250,000</u>
Net capital in excess of required minimum	<u>\$ 762,480</u>
Excess net capital at 1000%	<u>\$ 996,964</u>
Ratio: Aggregate indebtedness to net capital	<u>.15 to 1</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION**

The following serves to reconcile differences in the computation of net capital under rule 15c3-1 from the Company's computation:

Net capital, as reported in Company's (unaudited) Focus report	\$ 963,982
Increase (decrease) due to adjustments for:	
Unrealized and realized gains and losses	(80,997)
Securities haircut	284,656
Accrued pension liability	<u>(155,161)</u>
Net capital per audited report	<u>\$ 1,012,480</u>

**Schedule II**

LITTLE AND COMPANY INVESTMENT SECURITIES  
Computation for Determination of Reserve Requirements Under  
Rule 15c3-3 of the Securities and Exchange Commission  
As of September 30, 2006

**EXEMPTIVE PROVISIONS**

The Company has claimed an exemption from Rule 15c3-3 under section (k)(2)(ii), in which all customer transactions are cleared through another broker-dealer on a fully disclosed basis.

Company's clearing firm: Pershing, a division of Donaldson, Lufkin, Jenrette

Independent Auditor's Report  
on Internal Control

Required by SEC Rule 17a-5

Year Ended September 30, 2006



**CF & Co., L.L.P.**

CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors  
Little and Company Investment Securities

In planning and performing our audit of the financial statements and supplemental schedules of Little and Company Investment Securities (the "Company"), for the year ended September 30, 2006, 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities 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 accordance with U. S. 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, including control activities for safeguarding securities, 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 September 30, 2006, to meet the SEC's objectives.

This report is solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., 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 to be and should not be used by anyone other than these specified parties.



CF & Co., L.L.P.

Dallas, Texas  
November 10, 2006