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8-4240

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 01/01/06 AND ENDING 12/31/06

A. REGISTRANT IDENTIFICATION

NAME OF BROKER DEALER:

David J. Greene and Company, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

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

599 Lexington Avenue

(No. and Street)

New York

(City)

New York

(State)

10022

(Zip Code)

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

Pong Chan

(212) 371-4200

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

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

BDO Seidman, LLP

MAR 12 2007

THOMSON FINANCIAL

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

330 Madison Avenue

(Address)

New York

(City)

New York

(State)

10017

(Zip Code)

CHECK ONE:

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

FOR OFFICIAL USE ONLY

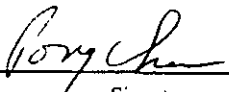
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

2A AB 3/9

OATH OR AFFIRMATION

I, Pong Chan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of David J. Greene and Company, LLC, as of December 31, 2006, 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:

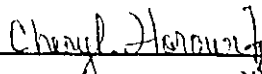
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Signature

Chief Financial Officer

Title



CHERYL HOROWITZ  
Notary Public  
Notary Public, State of New York  
No. 01HO5043759  
Qualified In New York County  
Commission Expires 8/8/09

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 Members' Equity or Partners' or Sole Proprietor's 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 Auditors' Report on internal accounting control required by SEC Rule 17a-5.

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

# David J. Greene and Company, LLC

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## **Independent Auditors' Report**

### **The Members**

David J. Greene and Company, LLC  
New York, New York

We have audited the accompanying statement of financial condition of David J. Greene and Company, LLC as of December 31, 2006. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition 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 statement of financial condition, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of David J. Greene and Company, LLC as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*BDO Seidman, LLP*

January 29, 2007

# David J. Greene and Company, LLC

## Statement of Financial Condition

*December 31, 2006*

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### **Assets**

Cash and cash equivalents	\$ 196,784
Cash equivalents, pledged to counterparty (Note 4)	284,901
Receivable from clearing broker (Note 3)	97,091
Securities owned, at market value (Notes 2 and 3)	4,503,317
Securities owned, pledged to counterparty, at market value (Note 4)	162,842
Investment advisory fees receivable	2,234,743
Prepaid expenses and other assets	174,877
Furniture, equipment and leasehold improvements, net of \$528,491 accumulated depreciation and amortization	94,519
	<hr/>
	\$7,749,074

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### **Liabilities and Members' Equity**

#### **Liabilities:**

Deferred investment advisory fees	\$ 384,299
Accrued expenses and other liabilities	473,900
<b>Total liabilities</b>	<hr/>
	858,199

**Commitments (Notes 3, 4, 5 and 6)**

<b>Members' equity (Notes 5 and 7)</b>	6,890,875
	<hr/>
	\$7,749,074

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*See accompanying notes to statement of financial condition.*

# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

### 1. Business and Summary of Significant Accounting Policies

#### *Business*

David J. Greene and Company, LLC ("Company") is a New York limited liability company. The Company is a registered broker-dealer in securities under the provisions of the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The Company acts as an investment advisor primarily on a discretionary basis and trades mostly in equity securities.

The Company has an agreement ("Clearing Agreement") with a clearing broker ("Clearing Broker") to clear securities transactions, carry customers' accounts on a fully disclosed basis and perform recordkeeping functions. Accordingly, the Company operates pursuant to the exemptive provisions of the Securities and Exchange Commission ("SEC") Rule 15c3-3(k)(2)(ii).

#### *Securities Transactions*

Securities transactions are recorded on a trade date basis. Securities listed on a national exchange are valued at the last sales price on the date of valuation. Securities not listed on a national exchange are valued at the last sales price on the date of valuation or, if such price is not available, at the bid price for securities owned.

#### *Cash and Cash Equivalents*

The Company considers all highly liquid instruments with original maturities of less than ninety days that are not held for sale in the ordinary course of business as cash equivalents.

Cash is held at two financial institutions and, at times, may exceed the amount of \$100,000 insured by the FDIC.

#### *Furniture, Equipment and Leasehold Improvements*

Furniture and equipment are depreciated over the estimated useful lives of the assets, which range from five to seven years. Leasehold improvements are amortized over the term of the lease or life of the assets, whichever is shorter.

# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

### *Income Taxes*

No income tax provision has been made in the accompanying financial statement as the members report their share of the Company's income or loss on their income tax return.

### *Use of Estimates*

The preparation of a statement of financial condition 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 statement of financial condition. Actual results could differ from those estimates.

### *New Pronouncements*

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. As of December 31, 2006, the Company does not believe the adoption of SFAS No. 157 will impact the amounts reported in the financial statements. However, additional disclosures will be required about the inputs used to develop the measurements of fair value.

# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

On July 13, 2006, the FASB released FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006 and is to be applied to all open tax years as of the effective date. The Company does not believe the adoption of FIN 48 will have a material effect on its financial statements.

2. **Securities Owned** As of December 31, 2006, securities owned consist of:

	Market value
U.S. Government obligations	\$2,984,256
Common stocks	1,625,903
Other	56,000
	4,666,159
Less: Securities pledged to counterparty (see Note 4)	(162,842)
	<u>\$4,503,317</u>

3. **Clearing Agreement** The Company has a clearing agreement with a brokerage firm to carry its account and the accounts of its customers. The broker has custody of the Company securities and, from time to time, cash balances, which may be due from this broker.



# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

These securities and/or cash positions serve as collateral for any amounts due to broker or as well as collateral for securities sold short or securities purchased on margin. The securities and/or cash positions also serve as collateral for potential defaults of the Company's customers which are carried on the books and records of the clearing firm.

The Company is subject to credit risk if the broker is unable to repay balances due or deliver securities in its custody.

#### 4. Commitments

##### *Operating Lease*

Minimum annual rental commitments for office space under a noncancellable lease are approximately:

##### *Year ending December 31,*

2007	\$ 698,000
2008	698,000
2009	722,000
2010	724,000
2011	724,000
Thereafter	724,000
	<hr/>
	\$4,290,000

The Company has entered into a collateral agreement that requires it to maintain a security deposit in a separate account at its clearing broker for the benefit of the sub-landlord containing only marketable securities and cash equivalents.

# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

Pursuant to the agreement the amounts deposited in this account must have an aggregate market value of not less than \$360,000 through January 31, 2009. However, if at the end of any calendar month, the securities deposited in the collateral account are readily marketable direct obligations of the United States government, Federal funds, unsecured certificates of deposit, time or demand deposits, banker's acceptances, repurchase agreement having maturities of not more than one year, or the short-term debt obligations of which are rated A-1 by S&P and P-1 by Moody's, the amounts required to be deposited are reduced to an aggregate market value of not less than \$300,000 through January 31, 2009.

As of December 31, 2006, the Company had cash equivalents and securities owned, pledged to counterparty of approximately \$448,000.

### *Customer Transactions*

In the normal course of business, the Company executes, as agent, transactions on behalf of customers. If the agency transactions do not settle because of failure to perform by either the customer or the counterparty, the Company may be obligated to discharge the obligation of the nonperforming party and, as a result, may incur a loss if the market value of the security is different from the contract amount of the transactions.

The Company does not anticipate nonperformance by customers or counterparties in the above situation. The Company's policy is to monitor its market exposure, which includes counterparty risk. In addition, the Company has a policy of reviewing, as considered necessary, the credit standing of each counterparty and customers with which it conducts business.

# David J. Greene and Company, LLC

## Notes to Statement of Financial Condition

- 5. Regulatory Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum regulatory net capital and requires that the ratio of aggregate indebtedness to regulatory net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had regulatory net capital of \$1,435,385 and a minimum regulatory net capital requirement of \$100,000. The Company's net capital ratio was .54 to 1.
- 6. Profit Sharing Plan**

The Company has a salary reduction and profit-sharing plan covering both employees and members. Under the provisions of the plan, employees may elect to contribute a portion of their compensation to the plan with a matching contribution, as defined in the plan document.
- 7. Subsequent Capital Transactions**

For the period from January 1 to January 29, 2007, the Company paid capital withdrawals amounting to \$2,210,000. Such amounts were excluded from net capital computation at December 31, 2006.



**Independent Auditors' Report on Internal  
Control Required by Securities and  
Exchange Commission Rule 17a-5 for a  
Broker-Dealer Claiming an Exemption  
from SEC Rule 15c-3-3**

The Members

David J. Greene and Company, LLC  
New York, New York

In planning and performing our audit of the financial statements and supplemental schedules of David J. Greene and Company, LLC (the "Company") for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included 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 the quarterly securities examinations, counts, verifications, and comparisons and the recordation of differences required by Rule 17a-13.
2. 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 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.

Because of inherent limitations in internal control and 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.



BDO Seidman, LLP  
Accountants and Consultants

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, as described in the second paragraph of this report, were adequate at December 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC 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.

*BDO Seidman, LLP*

Certified Public Accountants

New York, New York

January 29, 2007

*END*