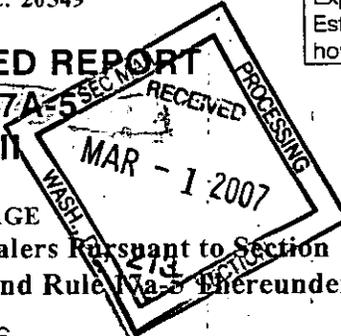




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
~~8-31461~~

8-31461

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
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cuttone and Company, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

111 Broadway

(No. and Street)

New York

NY

10006

(City)

(State)

(Zip Code)

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

Lewis Cohen

212-374-9797

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Raich Ende Malter & Co. LLP

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

1375 Broadway, 15th Floor

New York City

NY

10018

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 19 2007

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)

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.

SEC 1410 (06-02)

AP
3/17

OATH OR AFFIRMATION

I, Donato A. Cuttone, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cuttone and Company, Inc., 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:

[Signature]
Signature

President / CEO
Title

[Signature]

Notary Public

ANTHONY P. MASTROIANNI
NOTARY PUBLIC-STATE OF NEW YORK
No. 01MA6150690
Qualified in Kings County
My Commission Expires August 07, 2010



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).

CUTTONE & COMPANY, INC.

Financial Statements

December 31, 2006

CUTTONE & COMPANY, INC.

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December 31, 2006

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Cuttone & Company, Inc.

We have audited the accompanying statement of financial condition of Cuttone & Company, Inc. (the "Company") as of December 31, 2006, and the related statements of income, changes in stockholders' equity 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 Cuttone & Company, Inc. as of December 31, 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 conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and to comply with the requirements of Rule 17a-5 of the Securities Exchange Act of 1934 and is not a required part of the basic financial statements. 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.

Raich Ende Malter + Co. LLP

RAICH ENDE MALTER & CO. LLP
New York, New York
February 27, 2007

CUTTONE & COMPANY, INC.

Statement of Financial Condition

December 31, 2006

ASSETS

Cash and Cash Equivalents	\$ 1,326,474
Receivables From Brokers and Clearing Organizations - including clearing deposit of \$108,726	2,424,823
U.S. Treasury Bills - at market value (cost \$309,133)	311,671
Furniture, Equipment, and Leasehold Improvements - net	137,258
Other Assets	502,328
	<u>\$ 4,702,554</u>

LIABILITIES AND

STOCKHOLDERS' EQUITY

Liabilities

Accrued expenses and other liabilities	<u>\$ 1,813,119</u>
--	---------------------

Commitments and Contingencies

Stockholders' Equity

Common stock - \$1.00 par value - 2,000 shares authorized, 1,000 shares issued and outstanding	1,000
Additional paid-in capital	213,286
Retained earnings	2,675,149
	<u>2,889,435</u>
	<u>\$ 4,702,554</u>

CUTTONE & COMPANY, INC.

Statement of Income

For the Year Ended December 31, 2006

Revenues

Commissions	\$ 23,905,139
Other income	223,739
Interest and dividends	111,244
	<u>24,240,122</u>

Expenses

Salaries and bonuses	10,775,695
Payroll taxes and employee benefits	357,959
Commissions	781,078
Clearance charges	891,911
Error account	426,094
NYSE dues and expenses	1,371,431
Telephone	439,535
Quotron	3,975,728
Professional fees	1,109,976
Insurance	574,762
Rent	199,266
Office and other	2,882,480
	<u>23,785,915</u>

Income Before Provision For State and Local Corporate Taxes 454,207

Provision For State and Local Corporate Taxes 95,747

Net Income \$ 358,460

CUTTONE & COMPANY, INC.

Statement of Changes in Stockholders' Equity
For the Year Ended December 31, 2006

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance - January 1, 2006	\$ 1,000	\$ 213,286	\$ 2,766,689	\$ 2,980,975
Net Income	-	-	358,460	358,460
Distributions	-	-	(450,000)	(450,000)
Balance - December 31, 2006	<u>\$ 1,000</u>	<u>\$ 213,286</u>	<u>\$ 2,675,149</u>	<u>\$ 2,889,435</u>

See notes to financial statements.

CUTTONE & COMPANY, INC.

Statement of Cash Flows
For the Year Ended December 31, 2006

Cash Flows From Operating Activities

Net Income	\$ 358,460
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	115,704
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables from brokers and clearing organizations	(242,940)
Other	31,688
Increase (decrease) in:	
Accrued expenses and other liabilities	472,142
	<u>735,054</u>

Cash Flows From Investing Activities

Acquisition of equipment and leasehold improvements	(162,326)
Purchase and redemption of U.S. Treasury Bills - net	(15,400)
	<u>(177,726)</u>

Cash Flows From Financing Activities

Distributions to stockholders	<u>(450,000)</u>
-------------------------------	------------------

Increase in Cash and Cash Equivalents

107,328

Cash and Cash Equivalents - beginning of year

1,219,146

Cash and Cash Equivalents - end of year

\$ 1,326,474

Supplemental Cash Flow Information

Cash paid for:	
Interest	<u>\$ 29,148</u>
Taxes	<u>\$ 70,139</u>

CUTTONE & COMPANY, INC.

Notes to Financial Statements
December 31, 2006

1 - ORGANIZATION AND BUSINESS

Cuttone & Company, Inc. (the "Company") was incorporated on January 20, 1984 under the laws of the State of New York where it also maintains its office.

The Company is registered with the Securities and Exchange Commission as a broker/dealer pursuant to the Securities Exchange Act of 1934 and is a member of the New York Stock Exchange and the National Association of Securities Dealers, Inc. ("NASD").

The Company executes orders on behalf of other brokerage firms and institutional customers. All securities transactions are cleared through other broker/dealers (the "Clearing Brokers") on a fully disclosed basis and, therefore, the Company is exempt from SEC Rule 15c3-3.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Cash Equivalents** - For purposes of the Statement of Cash Flows, the Company considers all short term debt securities purchased with a maturity of three months or less as well as money market funds, to be cash equivalents.
- b. **Revenue Recognition** - Commission revenue and related expenses are recorded on a settlement date basis, in contrast with accounting principles generally accepted in the United States which would use trade date basis. The use of settlement rather than trade date does not materially affect the results of operations.
- c. **Depreciation and Amortization** - Furniture, equipment and leasehold improvements are stated at cost. Furniture and equipment are depreciated using accelerated methods. The use of accelerated rates does not materially affect the results of operations. Leasehold improvements are amortized over the term of the office space lease.
- d. **Income Taxes** - The Company, with the consent of its stockholders, has elected to be taxed as an S corporation as provided for by the Internal Revenue Code. Under S corporation status, the Company's net income for federal and state purposes is taxed to its shareholders. The Company is subject to New York City income taxes.
- e. **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. The estimates and assumptions affect the reported amounts of assets and liabilities and the 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.

3 - RECEIVABLES AND PAYABLES TO BROKERS

The clearing and depository operations for the Company's securities transactions are provided by various Clearing Brokers pursuant to clearance agreements.

At December 31, 2006, the amount due from the Clearing Brokers represents cash deposits maintained at the Clearing Broker and commission revenue earned.

4 - EQUIPMENT, FIXTURES, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements are stated at cost and are summarized as follows:

Furniture and equipment	\$ 607,270
Leasehold improvements	58,566
	<u>665,836</u>
Less: Accumulated depreciation and amortization	528,578
	<u>\$ 137,258</u>

Depreciation and amortization expense on equipment, fixtures and leasehold improvements for the year ended December 31, 2006 amounted to \$115,703.

5 - COMMITMENTS AND CONTINGENCIES

The Company leases its office facility under the terms of an operating lease dated December 12, 2003 which will expire seven years after occupancy which was May 8, 2003. Future minimum lease payments under this operating lease at December 31, 2006 are as follows:

<i>For the Years Ended</i>	
<u>December 31,</u>	
2007	\$ 198,449
2008	\$ 205,137
2009	\$ 208,580
2010	\$ 69,912

Rental expense for the year ended December 31, 2006 was \$199,266.

6 - CONCENTRATION

The Company maintains cash balances at financial institutions subject to Federal Deposit Insurance Corporation ("FDIC") regulations. At times, amounts on deposit exceed the FDIC insurance limit of \$100,000. As of December 31, 2006, the Company's cash balances on deposit exceeded the insured limits by \$728,492.

7 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1) which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2006, the Company had net capital, as defined, of \$2,016,309 which was \$1,895,434 in excess of its required net capital of \$120,875.

CUTTONE & COMPANY, INC.

Supplementary Information - Computation of Net Capital Pursuant to
Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission
December 31, 2006

Schedule I

COMPUTATION OF NET CAPITAL

Total stockholder's equity qualified for net capital	\$ 2,889,435
Deductions:	
Non-allowable assets - assets not readily convertible to cash:	
Receivables from brokers and clearing organizations	211,963
Equipment, fixtures, and improvements - net book value	137,258
Other	502,828
	<u>852,049</u>
Net capital before haircuts	<u>2,037,386</u>
Haircuts on securities:	
Money Market Accounts	21,077
	<u>21,077</u>
Net capital	<u>\$ 2,016,309</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Computation of Aggregate Indebtedness

Accrued expenses and other liabilities	1,813,119
	<u>1,813,119</u>
Total Aggregate Indebtedness	\$ 1,813,119
Minimum Net Capital Requirement - 6.67% of adjusted aggregate indebtedness	\$ 120,875
Net Capital Requirement - greater of minimum net capital requirement or \$5,000	\$ 120,875
Net Capital in Excess of Requirement	\$ 1,895,434
Ratio of Aggregate Indebtedness to Net Capital	0.9 to 1

There were no differences noted between the computation of net capital under Rule 15c3-1 of the Securities Exchange Act of 1934 as reported above and as contained in the unaudited FOCUS report dated January 25, 2007 as filed by the Company.

CUTTONE & COMPANY, INC.

*Supplementary Information - Computation For Determination of Reserve Requirements
Under Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2006*

Schedule II

The provisions of Rule 15c3-3 are not applicable to the Company as of December 31, 2006 in accordance with Rule 15c3-3(k)(2)(ii).

CERTIFIED PUBLIC ACCOUNTANT:

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL REQUIRED BY SEC RULE 17A-5**

To the Board of Directors and Stockholders
Cuttone & Company, Inc.

In planning and performing our audit of the financial statements of Cuttone & Company, Inc. (the Company), as of and 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 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 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 (or aggregate debits) 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 and 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 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 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.

To the Board of Directors and Stockholders
Cuttone & Company, Inc.
Page Two

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 generally accepted accounting principles 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 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 describe in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weakness. 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.

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 the Board of Directors, stockholders, management, the SEC, NASD, and other regulatory agencies which 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.

Raich Ende Malter & Co. LLP

RAICH ENDE MALTER & CO. LLP
New York, New York
February 27, 2007

END