



08025568

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

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: February 28, 2010  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8- 39203

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 01/01/2007 AND ENDING 12/31/2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Sovereign-American Securities, Inc.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

1016 Collier Center Way, Suite 100

(No. and Street)

Naples

(City)

Florida

(State)

34110

(Zip Code)

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

R. Laken Mitchell

(239) 597-0128

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

John Neal Ingram

Ingram + Ingram, LLC

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

1635 N. McFarland Blvd, Suite 502 Tuscaloosa, AL

(Address)

(City)

(State)

35406

(Zip Code)

CHECK ONE:

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

**PROCESSED**  
MAR 13 2008  
THOMSON  
FINANCIAL

RECD S.E.C.  
FEB 28 2008  
803

**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)

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.

AD 3/2/08

OATH OR AFFIRMATION

I, R. Laken Mitchell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sovereign-American Securities, Inc., as of February 27, 2008, 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:

NOTARY PUBLIC FLORIDA  
 Ruth A. Stukenborg  
Commission # DD506798  
Expires: JAN. 12, 2010  
Bonded Thru Atlantic Bonding Co., Inc.

[Signature]  
Signature  
President  
Title

Ruth A. Stukenborg  
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 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).

FILED  
MAR 2 2008  
SECURITIES DIVISION  
TALLAHASSEE, FLORIDA

**Sovereign-American Securities, Inc.**

**Audited Financial Statements  
Years Ended December 31, 2007 and 2006**

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**Audited Financial Statements**  
**Years Ended December 31, 2007 and 2006**

**CONTENTS**

	Page
Auditor's Report	1
Balance Sheet	2
Statement of Income	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Computation of Net Capital	7
Schedule 2 - Computation of Reserve Requirements and Information Relating to Possession or Control Requirements Under Rule 15c3-3	8
Schedule 3 - Computation of Aggregate Indebtedness and Ratio to Net Capital	9
Schedule 4 - Statement of Changes in Liabilities Subordinated To General Creditors	10
Report on Internal Accounting Control	11



**INGRAM & INGRAM, LLC**  
*CERTIFIED PUBLIC ACCOUNTANTS*

JOHN E. INGRAM, C.P.A.  
JOHN NEAL INGRAM, C.P.A.

Members:  
Alabama Society of Certified Public Accountants  
American Institute of Certified Public Accountants

**February 7, 2008**

1

**Independent Auditor's Report**

**To The Stockholders  
Sovereign-American Securities, Inc.  
Naples, Florida**

We have audited the accompanying balance sheet of Sovereign-American Securities, Inc. as of **December 31, 2007 and 2006** and the related statements of income, changes in stockholder's equity, and cash flows for the years then ended. 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 this 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 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 Sovereign-American Securities, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Ingram & Ingram, LLC  
Tuscaloosa, Alabama

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2007 and 2006**

	<b>ASSETS</b>	
	<b>2007</b>	<b>2006</b>
Current Assets		
Cash in banks	\$ 183,769	\$ 94,979
<b>Total Assets</b>	<b>\$ 183,769</b>	<b>\$ 94,979</b>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>		
Current Liabilities	\$ 50	\$ 50
<b>Total Liabilities</b>	<b>\$ 50</b>	<b>\$ 50</b>
Stockholders' Equity		
Common Stock	\$ 20	\$ 20
Paid in Capital	53,950	53,950
Retained Earnings	129,748	40,959
<b>Total Stockholders' Equity</b>	<b>\$ 183,719</b>	<b>\$ 94,929</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 183,769</b>	<b>\$ 94,979</b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

	<b>2007</b>	<b>2006</b>
Income		
Commissions	\$ 1,757,700	\$ 1,872,805
Interest Income	2,770	46
Fees & Other Miscellaneous Income	43,150	370
<b>Total Income</b>	<b>\$ 1,803,620</b>	<b>\$ 1,873,221</b>
Operating Expenses		
Commissions	\$ 1,650,925	\$ 1,743,715
Dues, Subscriptions & NASD Filing Fees	10,451	10,888
Shared Overhead Expenses	40,636	45,023
Licenses, Other Fees and Expenses	190	190
Accounting	2,975	400
Insurance	-	1,802
Taxes	2,096	456
Rep Admin Processing	7,335	15,372
Bank Fees	222	30
<b>Total Expenses</b>	<b>\$ 1,714,830</b>	<b>\$ 1,817,876</b>
<b>Income/(Loss) from Operations</b>	<b>\$ 88,790</b>	<b>\$ 55,345</b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Common Stock</b>	<b>Additional Contributed Capital</b>	<b>Retained Earnings (Deficit)</b>	<b>Total</b>
Beginning Stockholders' Equity	\$ 20	\$ 53,950	\$ 40,959	\$ 94,929
Net Income/(Loss) for Year			88,790	88,790
Stockholder Contributions				-
Ending Stockholders' Equity	<u>\$ 20</u>	<u>\$ 53,950</u>	<u>\$ 129,749</u>	<u>\$ 183,719</u>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2007 and 2006**

	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income/(Loss)	<u>\$ 88,790</u>	<u>\$ 55,345</u>
Net Cash Provided by Operating Activities	<u>\$ 88,790</u>	<u>\$ 55,345</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions from Stockholders	<u>-</u>	<u>25,000</u>
Net Cash Provided by Financing Activities	<u>\$ -</u>	<u>\$ 25,000</u>
Net Increase in Cash and Cash Equivalents	88,790	80,345
Beginning Cash and Cash Equivalents	<u>94,979</u>	<u>14,634</u>
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<u><b>\$ 183,769</b></u>	<u><b>\$ 94,979</b></u>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2007**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A. Organization and Purpose: The Company was incorporated on January 4, 1988, under the laws of the state of Tennessee. The corporation was organized to engage generally in the business of acting as underwriting agent for certain privately placed exempt security offerings.
- B. Accounting Method: The Company prepares its financial statements on the accrual basis of accounting whereby revenues are recognized when earned, and expenses are recorded when incurred.
- C. Income Taxes: Income taxes are provided for based on the income reported in the income tax return. The entity is a corporation and has elected S-Status, thereby any tax liability is passed to the shareholders. Any future deferred income taxes will result principally from temporary differences related to depreciation.

**NOTE 2 - SECURITIES INVESTOR PROTECTION CORPORATION**

Sovereign-American Securities, Inc. is a member of the Securities Investor Protection Corporation ("SIPC") pursuant to all filings and registrations related to operating as a securities broker dealer.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

For the purpose of the statement of cash flows, the company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**NOTE 4 - RELATED PARTIES**

The company's primary stockholder is also a partner of CMG Surety, LLC, which the company pays administrative overhead reimbursement. For the years ended December 31, 2007 and 2006, these reimbursements were \$40,636 and \$45,023.

See accompanying accountant's report

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 1 - COMPUTATION OF NET CAPITAL**  
**DECEMBER 31, 2007**

Total ownership equity from Statement of Financial Condition	\$ 183,719
Deduct: Ownership equity not allowed for net capital	_____ -
Total ownership equity qualified for net capital	\$ 183,719
Deductions and/or charges:	
Non-allowable asset - net receivable	_____ -
Other additions and/or allowable credits	_____ -
Net capital before haircuts on security positions	\$ 183,719
Haircuts on securities	_____ -
<b>NET CAPITAL</b>	<b><u>\$ 183,719</u></b>
Reconciliation with company computation:	
Net capital as reported in company's Part II (unaudited) Focus report 12/31/07:	\$ 183,719
Income/(Expense) not reflected on Focus report: Rounding	_____ -
<b>NET CAPITAL</b>	<b><u>\$ 183,719</u></b>

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 2 - COMPUTATION OF RESERVE REQUIREMENTS AND**  
**INFORMATION RELATING TO POSSESSION OR CONTROL**  
**REQUIREMENTS UNDER RULE 15c3-3**  
**DECEMBER 31, 2007**

Sovereign-American Securities, Inc. will carry no margin accounts, maintain no securities on hand, promptly transmit all customer funds and will not otherwise hold funds or securities for, or owe money or securities to customers and will effectuate all financial transactions between the broker or dealer and his customers through a special bank account which will be designated as "Special Account for the Exclusive Benefit of Customers of Sovereign-American Securities, Inc.", thereby meeting the conditions of Rule 15c3-3(k)(2)(A) exempting it from the requirements of customer protection Rule 15c3-3.

See accompanying accountant's report.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 3 - COMPUTATION OF AGGREGATE INDEBTEDNESS**  
**AND RATIO TO NET CAPITAL**  
**DECEMBER 31, 2007**

Total Indebtedness

AGGREGATE INDEBTEDNESS

\$ 50

Ratio of aggregate indebtedness to net capital:

Aggregate indebtedness	<u>\$ 50</u>
Net capital	\$ 183,719 = N/A

1500 percent limit

See accompanying accountant's audit report and notes to financial statements.

**SOVEREIGN-AMERICAN SECURITIES, INC.**  
**SCHEDULE 4 – STATEMENT OF CHANGES IN LIABILITIES**  
**SUBORDINATED TO GENERAL CREDITORS**  
**DECEMBER 31, 2007**

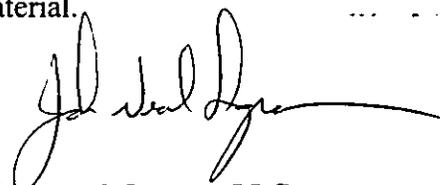
There were no Liabilities subordinated to General Creditors at December 31, 2006 or at December 31, 2007. Therefore, there were no changes in Liabilities subordinated to General Creditors.

**INDEPENDENT AUDITOR'S SUPPLEMENTARY  
REPORT ON INTERNAL ACCOUNTING CONTROL**

**SOVEREIGN-AMERICAN SECURITIES, INC.  
Naples, Florida**

We have examined the financial statements of Sovereign-American Securities, Inc. for the period ending December 31, 2007. As part of our examination, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and Rule 17a-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system and the practices and procedures followed by the client (1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)11. Rule 17a-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the time of my examination would be disclosed. Under generally accepted auditing standards and Rule 17a-5, the purposes of such study and evaluation are to establish a basis for reliance thereon in determining the nature, timing, and extent of other auditing procedures necessary for expressing an opinion on the financial statements and to provide a basis for reporting material weaknesses in internal accounting control.

Our study and evaluation of the system of internal accounting control for the period ended December 31, 2007, which was made for the purposes set forth in the above paragraph, disclosed no weaknesses that we believe to be material.



Ingram & Ingram, LLC  
Tuscaloosa, Alabama  
February 7, 2008

**END**