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3/14

SECURITIES AND EXCHANGE COMMISSION  
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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER	
8 -	66919

**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 1/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Stonnington Group, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

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

515 S. Figueroa Street, Suite 1100

(No. and Street)

Los Angeles CA

(City)

(State)

90071

(Zip Code)

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

Nicholas H. Stonnington

(213) 683-4511

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Rothstein Kass & Company, P.C.

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

9171 Wilshire Blvd., 5th Floor

Beverly Hills

CA

90210

(Address)

(City)

(State)

(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)

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)

BTD  
3/24

OATH OR AFFIRMATION

I, Nicholas H. Stonnington, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stonnington Group, LLC, as of December 31, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Nicholas H. Stonnington*  
\_\_\_\_\_  
Signature

Nicholas H. Stonnington

\_\_\_\_\_  
President  
Title

*L. A. Turner*  
\_\_\_\_\_  
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 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.

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

**STONNINGTON GROUP, LLC**  
**STATEMENT OF FINANCIAL CONDITION**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**DECEMBER 31, 2008**

# STONNINGTON GROUP, LLC

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

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*Nicholas H. Stonnington*

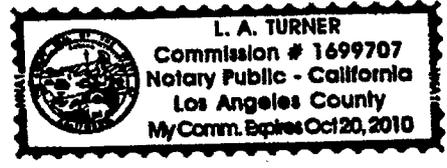
Nicholas H. Stonnington

Signature

President

Title

*L. A. Turner*  
Notary Public 2-18-09



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

Certified  
Public  
Accountants

Rothstein Kass & Company, P.C  
9171 Wilshire Boulevard, 5th Floor  
Beverly Hills, CA 90210  
tel 310 273 2770  
fax 310 273 6649  
www.rkco.com

Beverly Hills  
Dallas  
Denver  
Grand Cayman  
Irvine  
New York  
Roseland  
San Francisco  
Walnut Creek

# Rothstein Kass

## INDEPENDENT AUDITORS' REPORT

To the Members of Stonnington Group, LLC

We have audited the accompanying statement of financial condition of Stonnington Group, LLC (the "Company") as of December 31, 2008, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This statement of financial condition 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 Stonnington Group, LLC as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

*Rothstein, Kass & Company, P.C.*

Beverly Hills, California  
February 20, 2009

# STONNINGTON GROUP, LLC

## STATEMENT OF FINANCIAL CONDITION

December 31, 2008

### ASSETS

Cash	\$	313,152
Due from broker		74,367
Commissions receivable		5,581
Deposit with clearing firm		100,000
Fixed assets, net		68,302
Prepays and other assets		<u>72,894</u>
	\$	<u>634,296</u>

### LIABILITIES AND MEMBERS' EQUITY

Liabilities	\$	23,724
Accounts payable		
Members' equity		<u>610,572</u>
	\$	<u>634,296</u>

See accompanying notes to financial statement.

# STONNINGTON GROUP, LLC

## NOTES TO FINANCIAL STATEMENT

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### 1. Nature of operations and summary of significant accounting policies

#### *Nature of Operations*

Stonnington Group, LLC, (the "Company") is a limited liability company that provides asset management and brokerage services to its clients. The Company is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The firm is also registered with the Securities and Exchange Commission as a registered investment advisor with custody of client assets to the extent it receives its prepaid investment advisory fees from its clients' custodians.

The Company has an agreement with Pershing, LLC (the "Clearing Broker"), to clear securities transactions, carry customers' accounts on a fully disclosed basis, and perform certain record keeping functions.

#### *Cash*

The Company maintains cash in a separate account at Union Bank. This account is earmarked as a Special Reserve Account for the Exclusive Benefit of Customers in compliance with SEC Rule 15c3-3 and was created to accommodate the bill-paying service that the Company offers to a limited number of clients.

#### *Fixed Assets*

Fixed assets are recorded at cost and depreciated over their estimated useful lives, using the straight-line method. Generally, estimated useful life used is four years.

#### *Investment Advisory Income*

Investment advisory fees are received quarterly in advance but are recognized as earned on a pro rata basis over the term of the contract.

#### *Revenue and Expense Recognition from Securities Transactions*

Securities transactions and the related revenues and expenses are recorded on the trade-date basis.

#### *Use of Estimates*

The preparation of financial statement 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 at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# STONNINGTON GROUP, LLC

## NOTES TO FINANCIAL STATEMENT

### 1. Nature of operations and summary of significant accounting policies (continued)

#### *Fair Value*

The Company complies with Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements". This statement defines fair value, thereby eliminating inconsistencies in guidance found in various prior accounting pronouncements, and increases disclosures surrounding fair value calculation. SFAS No. 157 establishes a three-tiered fair value hierarchy that prioritizes inputs to valuation techniques used in fair value calculations. The three levels of inputs are defined as follows:

- Level 1 – unadjusted quoted prices for identical assets or liabilities in active markets accessible by the Company at the measurement date.
- Level 2 – inputs that are observable in markets that are not active other than those inputs classified as Level 1.
- Level 3 – inputs that are unobservable in the marketplace and significant to the valuation.

SFAS No. 157 requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to their fair value calculation. At December 31, 2008 there were no assets or liabilities which fell under SFAS No. 157.

#### *Income Taxes*

The Company is not subject to federal or state income taxes and, accordingly, no provision for taxes has been made in the accompanying financial statement. The members are required to report their proportional share of gains, losses, credits or deductions on their respective tax returns. The State of California imposes a limited liability company fee based upon gross receipts.

The Company has adopted FASB Staff Position No. FIN 48-3, which allows certain nonpublic entities to defer the effective date of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), until the annual financial statement for fiscal years beginning after December 15, 2008. The Company has elected to apply the deferral and has adopted the provisions of FIN 48 effective January 1, 2009. The Company's accounting policy for evaluating uncertain tax positions during financial statement periods subject to the deferral of FIN 48 is based on the recognition and disclosure criteria for loss contingencies under SFAS No. 5, "Accounting for Contingencies".

### 2. Fixed assets

Fixed assets consisted of following as of December 31, 2008:

Software	\$	60,097
Hardware and office equipment		59,170
		<u>119,267</u>
Accumulated depreciation and amortization		50,965
		<u>50,965</u>
Fixed assets, net	\$	<u>68,302</u>

# STONNINGTON GROUP, LLC

## NOTES TO FINANCIAL STATEMENT

### 3. Lease commitment

The Company currently has a sublease agreement that ends effective February 2009. As of December 31, 2008, a new lease was entered into, beginning in March 2009 and expiring in 2014. At December 31, 2008, the Company's future minimum rental commitment is as follows:

Year ending December 31,		
2009	\$	65,230
2010		66,311
2011		68,479
2012		70,687
2013		72,975
Thereafter		<u>25,114</u>
	\$	<u>368,796</u>

Total rental expense for the year ended December 31, 2008 was \$70,260.

### 4. Net capital requirements

The Company, as a member of FINRA, is subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1. This Rule requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2008, the Company's net capital was approximately \$464,000, which was approximately \$214,000 in excess of its minimum requirement of \$250,000.

### 5. Defined contribution plan

The Company has a 401(k) Profit Sharing Plan (the "Plan") that covers all eligible employees as defined by the Plan. Under the Plan, eligible employees may defer between 1% and 90% of their compensation (maximum \$15,500 for 2008). The Plan contains a safe harbor provision under which the Company will contribute 3% of compensation to all eligible employees of the Plan. For the year ended December 31, 2008, the Company did not contribute to the Plan.

# STONNINGTON GROUP, LLC

## NOTES TO FINANCIAL STATEMENT

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### 6. Off-balance sheet risk

Pursuant to a clearance agreement, the Company introduces all of its securities transactions to a clearing broker on a fully-disclosed basis. All of the customers' money balances and long and short security positions are carried on the books of the clearing broker. In accordance with the clearance agreement, the Company has agreed to indemnify the clearing broker for losses, if any, which the clearing broker may sustain from carrying securities transactions introduced by the Company. In accordance with industry practice and regulatory requirements, the Company and the clearing broker monitor collateral on the customers' accounts. In addition, the receivable from the clearing broker is pursuant to this clearance agreement.

### 7. Concentrations of credit risk

The Company maintains its cash in various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution through December 31, 2009.

### 8. Related party transactions

The Company acts as an investment adviser to several private investment companies (the "Funds") and earns investment advisory fees from the Funds. For the year ended December 31, 2008, fees earned from the Funds were approximately \$193,000. The Company paid, on behalf of three Funds, approximately \$8,300 in expenses, which has been recorded as an other asset on the statement of financial condition as of December 31, 2008.

The Company provided consulting and accounting services to a related company, totaling \$90,000 for the year ended December 31, 2008.