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

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

SEC FILE NUMBER
8-49005

**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 July 1, 2009 ENDING June 30, 2010

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
Sentinel Brokers Company, Inc.

OFFICIAL USE ONLY
_____
FIRM ID. NO.

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

20 Broadway

(No. and Street)

Massapequa

(City)

New York

(State)

11758

(Zip Code)

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

Joseph Lawless

516-541-9100

(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

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

Lilling & Company LLP

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

10 Cutter Mill Road

(Address)

Great Neck

(City)

NY

(State)

11021

(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 exemption. See section 240.17a-5(e)(2).

Sec 1410 (6-02)

*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*

PW

OATH OR AFFIRMATION


I, Joseph M. Lawless, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of

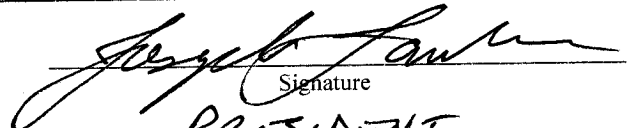
Sentinel Brokers Company, Inc. as of

June 30, 2010, 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:

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

TRAVIS A. NICHOLSON  
NOTARY PUBLIC, State of New York  
No. 01NI4907731  
Qualified in Nassau County  
Commission Expires October 13, 2013

  
\_\_\_\_\_  
Notary Public

  
Signature  
PRESIDENT  
Title

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 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.
- (o) A report on internal control.

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

# Lilling & Company LLP

Certified Public Accountants

## *INDEPENDENT AUDITOR'S REPORT*

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Board of Directors and Stockholder  
Sentinel Brokers Company, Inc.  
Massapequa, New York

We have audited the accompanying statement of financial condition of Sentinel Brokers Company, Inc. as of June 30, 2010, and the related statements of operations, changes in stockholder's 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. 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 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 financial statements, 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 Sentinel Brokers Company, Inc. as of June 30, 2010, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule 1 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. This schedule is the responsibility of the Company's management. 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.



**CERTIFIED PUBLIC ACCOUNTANTS**  
*Great Neck, New York*

*August 24, 2010*

**SENTINEL BROKERS COMPANY, INC.**

***STATEMENT OF FINANCIAL CONDITION***  
***JUNE 30, 2010***

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***ASSETS***

Cash and cash equivalents	\$ 195,519
Marketable securities	406,245
Furniture, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$31,169	84,073
Other	<u>8,422</u>
	<u><u>\$ 694,259</u></u>

***LIABILITIES AND STOCKHOLDER'S EQUITY***

***Liabilities***

Accounts payable and accrued expenses	\$ 21,222
Accrued payroll	235,808
Income taxes payable	6,300
Loan payable	<u>23,976</u>
	<u>287,306</u>

***Stockholder's equity***

Common stock, 200 shares authorized, 100 shares issued and outstanding, no par value	100
Paid-in capital	233,709
Retained earnings	<u>173,144</u>
	<u>406,953</u>
	<u><u>\$ 694,259</u></u>

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*See notes to financial statements*

**SENTINEL BROKERS COMPANY, INC.**

***STATEMENT OF OPERATIONS***  
***YEAR ENDED JUNE 30, 2010***

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***REVENUES***

Commission income	\$ 2,191,635
Trading income	25,119
Interest income	<u>35,168</u>
	<u>2,251,922</u>

***EXPENSES***

Payroll and related costs	1,774,554
Trade processing	156,991
Occupancy costs	73,174
Other expenses	<u>217,396</u>
	<u>2,222,115</u>
Income before income taxes	29,807
Income tax expense	<u>6,274</u>
<b><i>NET INCOME</i></b>	<u><u>\$ 23,533</u></u>

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*See notes to financial statements*

# SENTINEL BROKERS COMPANY, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2010

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<b><i>Cash flows from operating activities</i></b>	
Net income	\$ 23,533
Adjustments to reconcile net income to net cash from operating activities:	
Depreciation and amortization	15,653
Deferred income taxes	3,300
Loss on sale of equipment	9,790
(Increase) decrease in assets:	
Marketable securities, net	43,481
Other	(6,750)
Increase (decrease) in liabilities:	
Accrued payroll	68,887
Income taxes payable	3,000
Accounts payable and accrued expenses	7,329
Total adjustments	<u>144,690</u>
<b><i>Net cash from operating activities</i></b>	<u>168,223</u>
<b><i>Cash flows from investing activities</i></b>	
Purchase of equipment and leasehold improvements	(94,541)
Proceeds from sale of equipment	2,000
<b><i>Net cash used in investing activities</i></b>	<u>(92,541)</u>
<b><i>Cash flows from financing activities</i></b>	
Proceeds of loan payable, net	19,587
<b><i>Net cash provided by financing activities</i></b>	<u>19,587</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	95,269
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<u>100,250</u>
<b>CASH AND CASH EQUIVALENTS- END</b>	<u><u>\$ 195,519</u></u>
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest expense	\$ 721
Income taxes	<u><u>\$ 2,974</u></u>

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See notes to financial statements

**SENTINEL BROKERS COMPANY, INC.**

***STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
YEAR ENDED JUNE 30, 2010***

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	<u>COMMON STOCK</u>	<u>PAID-IN CAPITAL</u>	<u>RETAINED EARNINGS</u>	<u>TOTAL</u>
<i>Balance - beginning</i>	\$ 100	\$ 233,709	\$ 149,611	\$ 383,420
<i>Net income</i>	-	-	23,533	23,533
<i>Balance - end</i>	<u>\$ 100</u>	<u>\$ 233,709</u>	<u>\$ 173,144</u>	<u>\$ 406,953</u>

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*See notes to financial statements*

# SENTINEL BROKERS COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

Sentinel Brokers Company, Inc. (the "Company") began business on January 1, 1998. The Company is primarily engaged in acting as an intermediary facilitating the trading of Municipal Bonds between institutions. The Company has no retail customer base. The Company is a broker-dealer registered with the Financial Industry Regulatory Authority (FINRA) and the Securities Exchange Commission. The Company, as a non-clearing broker, does not handle customers' funds or securities. During the year, the Company obtained approval from FINRA to add equities and U.S. government securities as additional business lines. However no business was transacted during the year in equities and U.S. government securities. There were no liabilities subordinated to claims of general creditors during the year ended June 30, 2010.

#### Accounting Standards Codification

The Financial Accounting Standards Board ("FASB") has issued FASB Statement No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*, effective for periods ending after September 15, 2009. This Statement establishes the FASB Accounting Standards Codification ("ASC") as the single source of authoritative United States generally accepted accounting and reporting standards for nongovernmental entities, in addition to guidance issued by the SEC and these financial statements are referenced accordingly.

#### Income Taxes

The Company is subject to federal and state income taxes. The Company accounts for income taxes under the provisions of ASC 740, "Accounting for Income Taxes," which requires the Company to recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the current enacted tax rates which will be in effect when these differences reverse. Deferred tax expense is the result of changes in deferred tax assets and liabilities.

In accordance with ASC 740, *Income Taxes*, the Company is required to disclose unrecognized tax benefits resulting from uncertain tax positions. The Company recognizes



# SENTINEL BROKERS COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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the accrual of any interest and penalties to unrecognized tax benefits in income tax expense. At June 30, 2010, the Company did not have any unrecognized tax benefits or liabilities. No interest or penalties were recognized during the year. The Company operates in the United States and in state and local jurisdictions, and the previous three years remain subject to examination by tax authorities. There are presently no ongoing income tax examinations.

### **Securities Transactions and Commissions Revenues**

Securities transactions are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

Securities owned are recorded at current market value. Securities not readily marketable are valued at fair market value as determined by management, which approximates estimated realizable value. It is reasonable possible that a change in such estimates may occur in the near term.

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

Furniture and equipment are recorded at cost. Depreciation is recorded on a straight-line basis and accelerated basis over the estimated useful life of the related assets, which range from three to five years. Leasehold improvements are amortized over the lesser of the economic life of the improvements or the term of the lease.

### **Valuation of Marketable Securities**

In determining fair value, the Company uses various valuation approaches. FASB ASC 820 establishes fair value hierarchy for inputs in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs reflect the Company's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

# SENTINEL BROKERS COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010

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Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the market place, and other characteristic particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Company uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

### **Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents and marketable securities. The Company

# SENTINEL BROKERS COMPANY, INC.

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2010

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maintains cash balances with a commercial bank and cash, money market funds and securities with a brokerage firm. At times, amounts with the bank exceeded Federal Deposit Insurance Corporation limits. The amounts at the brokerage firm are covered up to Securities Investor Protection Corporation ("SIPC") limits.

The responsibility for processing customer activity rests with Southwest Securities, Inc. ("SWS Group"). The Company's clearing and execution agreement provides that SWS Group's credit losses relating to unsecured margin accounts receivable of the Company's customers are charged back to the Company.

In accordance with industry practice, SWS Group records customer transactions on a settlement date basis, which is generally three business days after the trade date. SWS Group is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case SWS Group may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by SWS Group is charged back to the Company.

The Company, in conjunction with SWS Group, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. SWS Group establishes margin requirements and overall credit limits for such activities and monitors compliance with the applicable limits and industry regulations on a daily basis.

### **Estimates**

Management of the Company uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates management uses.

### **Cash and Cash Equivalents**

The Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, that are not held for sale in the ordinary course of business. Included in cash equivalents are money market funds and brokerage account balances.

## **2. MARKETABLE SECURITIES**

Marketable securities consist of various municipal bonds valued at \$406,245.

**SENTINEL BROKERS COMPANY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**3. FAIR VALUE MEASUREMENTS**

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820. The following table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2010
<b>Assets</b>				
Marketable securities, at fair value	<u>\$ 406,245</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 406,245</u>

**4. LOAN PAYABLE**

Loan payable represents amount due for purchase of a vehicle and is payable in monthly installments of approximately \$494 including interest at a stated rate of 3.49% with final payment due January 2015. Payments due for each of the next four years is \$5,928 each and \$3,939 in the fifth year.

**5. INCOME TAXES**

The Company's income tax expense of \$6,274 consists of a current income tax expense of \$2,974 and deferred income tax expense of \$3,300. The deferred income tax expense is primarily due to temporary differences related to depreciation on property and equipment and net operating losses. The Company has net operating losses for tax purposes of approximately \$11,000 that expire by 2028 available to offset future taxable income. Income taxes payable of \$6,300 consists of deferred income tax liability of \$3,300 which is non-current and current income taxes payable of \$3,000.

**SENTINEL BROKERS COMPANY, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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**6. COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3**

The Company is exempt for the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker, the Company clears customer transactions on a fully disclosed basis with SWS Group and promptly transmits all customer funds and securities to SWS Group. SWS Group carries all of the accounts of such customers and maintains and preserves such books and records.

**7. NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c-3-1), which requires the maintenance of minimum net capital and requires 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 June 30, 2010, the Company had net capital of \$293,217, which was \$193,217 in excess of its required net capital of \$100,000. The Company had a percentage of aggregate indebtedness to net capital of 98% as of June 30, 2010.

**8. COMMITMENTS AND CONTINGENCIES**

The Company leases offices space in Massapequa, New York and Chicago, Illinois. Rent expense for the year ended June 30, 2010 was approximately \$73,000. Minimum future rental payments are approximately as follows:

2011	\$37,300
2012	31,700
2013	<u>21,600</u>
	<u>\$90,600</u>

**9. SUBSEQUENT EVENTS**

In preparing the accompanying financial statements, the Company has reviewed events that have occurred after June 30, 2010, through the date of issuance of these financial statements on August 24, 2010. During this period, the Company did not have any material subsequent events that are required to be disclosed in the financial statements.

***Supplementary Information  
Pursuant to Rule 17a-5 of the  
Securities Exchange Act of 1934***

***As of June 30, 2010***

**COMPUTATION OF NET CAPITAL UNDER RULE 15c-3-1  
OF THE SECURITIES AND EXCHANGE COMMISSION  
AS OF JUNE 30, 2010**

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**NET CAPITAL**

Stockholder's equity	\$ 406,953
Allowable credits:	
Deferred income taxes	3,300
	<u>410,253</u>
Deductions and/or charges:	
Non-allowable assets	92,495
	<u>317,758</u>
Net capital before haircuts on securities positions	24,541
Haircuts and undue concentration	<u>24,541</u>

**NET CAPITAL**

\$ 293,217

**MINIMUM NET CAPITAL REQUIREMENT**

\$ 100,000

**EXCESS OF NET CAPITAL OVER MINIMUM  
REQUIREMENTS**

\$ 193,217

**AGGREGATE INDEBTEDNESS**

287,306

**PERCENTAGE OF AGGREGATE INDEBTEDNESS  
TO NET CAPITAL**

98%

***Statement Pursuant to Paragraph (d) (4) of Rule 17a-5***

***Reconciliation with Company's computation (included in  
Part II of Form X-17A-5 as of June 30, 2010)***

Net capital, as reported in Company's Part II (unaudited) FOCUS Report	\$291,022
Audit adjustments	2,195
	<u>2,195</u>
Net capital per above	<u><u>\$293,217</u></u>

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*See independent auditor's report*

# Lilling & Company LLP

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 (g)(1) FOR A BROKER- DEALER CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors and Stockholder  
Sentinel Brokers Company, Inc.  
Massapequa, New York

In planning and performing our audit of the financial statements of Sentinel Brokers Company, Inc. (the Company), as of and for the year ended June 30, 2010 in accordance with auditing standards generally accepted in the United States, 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 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 accounting principles generally accepted in the United States. 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.

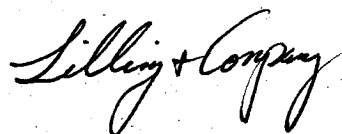
A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control 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 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 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 June 30, 2010, to meet the SEC's objectives.

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



**CERTIFIED PUBLIC ACCOUNTANTS**  
Great Neck, New York

**August 24, 2010**

# Lilling & Company LLP

Certified Public Accountants

## ***INDEPENDENT AUDITOR'S REPORT ON APPLYING AGREED-UPON PROCEDURES RELATED TO AN ENTITY'S SIPC ASSESSMENT RECONCILIATION***

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To the Board of Directors and Stockholder  
Sentinel Brokers Company, Inc.  
Massapequa, New York

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the period from July 1, 2009 to June 30, 2010, which were agreed to by Sentinel Brokers Company, Inc. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., SIPC, solely to assist you and the other specified parties in evaluating Sentinel Brokers Company, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Sentinel Brokers Company, Inc.'s management is responsible for Sentinel Brokers Company, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement record entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended June 30, 2010, as applicable, with the amounts reported in Form SIPC-7 for the period from July 1, 2009 to June 30, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Silling & Company*

**CERTIFIED PUBLIC ACCOUNTANTS**  
**Great Neck, New York**

**August 24, 2010**

AMENDED

SIPC-7

(31-REV 5/10)

SECURITIES INVESTOR PROTECTION CORPORATION  
P.O. Box 92185 Washington, D.C. 20090-2185  
202-371-8300

General Assessment Reconciliation

SIPC-7

(31-REV 5/10)

For the fiscal year ended JUNE 30, 20 10  
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no., and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

49005 FINRA JUN  
SENTINEL BROKERS COMPANY INC.  
20 BROADWAY  
MASSAPEQUA, NY 11758

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

WORKING COPY

- 2. A. General Assessment (Item 2e from page 2 (not less than \$150 minimum)) \$ 5,479.09
- B. Less payment made with SIPC-6 filed (exclude interest) (2,171.41)
- C. Date Paid \_\_\_\_\_
- D. Less prior overpayment applied (88.74)
- E. Assessment balance due or (overpayment) 3,218.94
- F. Interest computed on late payment (see instruction E) for \_\_\_\_\_ days at 20% per annum 3,218.94
- G. Total assessment balance and interest due (or overpayment carried forward) \$ 3,218.94
- G. PAID WITH THIS FORM:  
Check enclosed, payable to SIPC  
Total (must be same as F above) \$ 267.38
- H. Overpayment carried forward \$( \_\_\_\_\_ )

- 2,951.56 PAID 7/1  
267.38 DUE

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

SENTINEL BROKERS Co., INC.

(Name of Corporation, Partnership or other organization)

*[Signature]*  
(Authorized Signature)

PRESIDENT  
(Title)

Dated the 24 day of AUGUST, 20 10.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked Received Reviewed

Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"  
AND GENERAL ASSESSMENT**

Amounts for the fiscal period  
beginning JULY 1, 20<sup>09</sup>  
and ending JUNE 30, 20<sup>10</sup>  
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 2,242,170

2b. Additions:

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

(50,535)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ \_\_\_\_\_

(ii) 40% of margin interest earned on customer securities accounts (40% of FOCUS line 5, Code 3960).

\$ \_\_\_\_\_

Enter the greater of line (i) or (ii)

Total deductions

2d. SIPC Net Operating Revenues

\$ 2,191,635

2e. General Assessment @ .0025

\$ 5,479.09

(to page 1 but not less than \$150 minimum)

**SENTINEL BROKERS COMPANY, INC.**

***REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION***

***REPORT ON INTERNAL CONTROL***

***REPORT ON SIPC ASSESSMENT***

***JUNE 30, 2010***