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

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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, 2004 AND ENDING June 30, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Recom Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
619 Marquette Avenue South, Suite 142

(No. and Street)

Minneapolis

Minnesota

55402

(City)

(State)

(Zip Code)

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

Merle Levitt

612-339-5566

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lehrman, Flom & Co., P.L.L.P.

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

600 Highway 169 South - Ste. 820

Minneapolis

MN

55426

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED
SEP 28 2005
THOMSON

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)

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SEP 28 2005

OATH OR AFFIRMATION

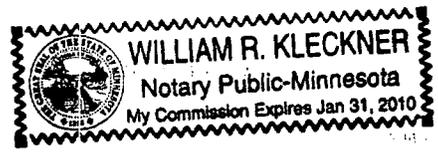
I, Merle Levitt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Recom Securities, Inc., as of June 30, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, 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

Title

[Signature]
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. Cash Flows
- (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 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control (separate cover)

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

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Lehrman, Flom & Co., P.L.L.P.

Certified Public Accountants & Consultants

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Stanley E. Eisenberg, CPA
Nancy S. Lehrman, CPA

Arthur B. Summerfield, CPA
(Principal)
Morris Lehrman, CPA
(1921-2002)

Independent Auditors' Report

The Board of Directors
Recom Securities, Inc.
619 Marquette Avenue South - Suite 142
Minneapolis, Minnesota 55402

We have audited the accompanying statements of financial condition of Recom Securities, Inc. (a Minnesota corporation) as of June 30, 2005 and 2004, and the related statements of income, changes in shareholder's equity, and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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 Recom Securities, Inc. at June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lehrman, Flom & Co., P.L.L.P.

August 2, 2005

RECOM SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash and cash equivalents	\$ 126,209	\$ 138,892
Receivables from clearing organizations	48,235	40,347
Loans receivable - officers (non-interest bearing)	240,000	238,517
Marketable securities owned	12,000	7,500
Property and equipment, at cost, less accumulated depreciation of \$46,168 in 2005 and \$45,802 in 2004	-	-
Other assets	<u>520</u>	<u>427</u>
	<u>\$ 426,964</u>	<u>\$ 425,683</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable and accrued expenses	\$ 12,019	\$ 21,516
Total liabilities	<u>12,019</u>	<u>21,516</u>
Common stock, par value \$.10 per share		
Authorized 25,000 shares		
Issued and outstanding 2,000 shares	200	200
Additional paid-in capital	19,800	19,800
Retained earnings	394,945	384,167
Total shareholder's equity	<u>414,945</u>	<u>404,167</u>
	<u>\$ 426,964</u>	<u>\$ 425,683</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF INCOME

Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
REVENUES		
Commissions & principal transactions	\$ 974,429	\$ 1,307,106
Interest	282,993	254,171
	<u>1,257,422</u>	<u>1,561,277</u>
EXPENSES		
Employee compensation and benefits	420,115	555,493
Clearing costs	355,924	414,609
Occupancy and equipment rental	187,554	202,899
Taxes, other than income taxes	30,219	38,028
Other operating expenses	249,913	255,610
	<u>1,243,725</u>	<u>1,466,639</u>
INCOME BEFORE INCOME TAXES	13,697	94,638
Income taxes	<u>2,919</u>	<u>496</u>
NET INCOME	<u>\$ 10,778</u>	<u>\$ 94,142</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years Ended June 30, 2005 and 2004

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Totals</u>
Balances at June 30, 2003	\$ 200	\$ 19,800	\$ 290,025	\$ 310,025
Net income - 2004	-	-	94,142	94,142
Balances at June 30, 2004	200	19,800	384,167	404,167
Net income - 2005	-	-	10,778	10,778
Balances at June 30, 2005	<u>\$ 200</u>	<u>\$ 19,800</u>	<u>\$ 394,945</u>	<u>\$ 414,945</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2005 and 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 10,778	\$ 94,142
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Change in assets and liabilities		
Receivables from clearing organizations	(7,888)	9,496
Marketable securities owned	(4,500)	24,480
Refundable income taxes	-	13,988
Other assets	(93)	3,724
Accounts payable and accrued expenses	(9,497)	7,391
Net cash provided by (used in) operating activities	(11,200)	153,221
CASH FLOWS FROM INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in loans receivable - officers	(1,483)	(80,412)
Net cash used in financing activities	(1,483)	(80,412)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,683)	72,809
Cash and cash equivalents, beginning	138,892	66,083
CASH AND CASH EQUIVALENTS, ENDING	\$ 126,209	\$ 138,892
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid (received) during the year for		
Income taxes	\$ 496	\$ (13,992)
Interest	6,450	5,840

See accompanying notes

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The Company is a discount commission broker-dealer registered with the Securities and Exchange Commission. Its business consists primarily of soliciting and servicing customer accounts which are introduced on a fully disclosed basis to a carrying broker-dealer. The Company does not carry customer accounts or effect transactions on a principal basis. Income is derived primarily from commissions on introduced business. The Company has offices in Minneapolis, Minnesota and Chicago, Illinois and is licensed to operate in all states and Washington, D.C.

Marketable Securities Owned: Marketable securities are valued at market value, except for those securities that are not readily marketable, which are valued at fair value as determined by management.

Commission Income and Clearing Costs: Commission income and related clearing expenses are recorded on a trade date basis as securities transactions occur.

Advertising Costs: The Company does not engage in direct-response advertising. All advertising costs are charged to operations as incurred and were \$35,039 and \$20,066 for the years ended June 30, 2005 and 2004, respectively.

Depreciation: The Company records depreciation of equipment by use of accelerated methods of computation.

Statements of Cash Flows: For purposes of the statements of cash flows, the Company considers liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. RETIREMENT PLAN

The Company has a defined contribution profit sharing plan covering all full-time employees of the Company who have completed one year of service and are age 21 or older. Contributions to the Plan are determined each year by the Board of Directors. For the years ended June 30, 2005 and 2004 contributions were \$-0-.

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. COMMITMENTS

The Company leases office space through April 30, 2006 under operating leases that provide for basic monthly rentals plus operating costs and real estate taxes. In addition, the Company has various operating leases for office equipment. Rentals under all agreements amounted to \$187,554 and \$202,899 for the years ended June 30, 2005 and 2004, respectively. Future minimum rentals for the year ending June 30, 2006 is \$20,930.

4. NET CAPITAL REQUIREMENT

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 that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2005, the Company had net capital of \$162,425 which was \$62,425 in excess of its required net capital of \$100,000. The Company's net capital ratio was .07 to 1.

5. INCOME TAXES

The provision for income taxes consists of the following:

	June 30	
	2005	2004
Current		
Federal	\$ 2,634	\$ 21,783
States	1,796	8,798
Realized tax benefit due to net operating loss carryback and carryover	(1,511)	(30,085)
	<u>\$ 2,919</u>	<u>\$ 496</u>

In prior years the Company incurred net operating losses that were available for carryforward to future years. Due to the uncertainty as to the use of these carryforwards, an income tax benefit was not recorded as a deferred tax asset since it was totally offset by a valuation allowance.

At June 30, 2005, net operating losses for Illinois and Minnesota in the amounts of \$46,000 and \$184,500, respectively, are available for carryforward to offset future taxable income. These carryovers expire between the years ending June 30, 2017 and 2023. The deferred tax benefit of these losses is \$21,500.

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

6. CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts at commercial banks located in Minnesota and Illinois and with its clearing firm located in New York. Each account is guaranteed up to \$100,000. Uninsured cash balances at June 30, 2005 were \$14,277.

7. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company's activities primarily involve executions, settlement and financing of various securities transactions through a clearing organization. This may expose the Company to risk in the event the clearing organization is unable to fulfill its contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers are unable to fulfill contractual obligations within three business days after trade date.

* * * * *



Lehrman, Flom & Co., P.L.L.P.

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Independent Auditors' Report on Supplementary Information
Required by Rule 17a-5 of the Securities and Exchange Commission

The Board of Directors
Recom Securities, Inc.
619 Marquette Avenue South - Suite 142
Minneapolis, Minnesota 55402

We have audited the accompanying financial statements of Recom Securities, Inc. as of and for the years ended June 30, 2005 and 2004 and have issued our report thereon dated August 2, 2005. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying pages 10 and 11 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. Such information has been subjected to the auditing procedures applied in the audits 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.

Lehrman, Flom & Co., P.L.L.P.

August 2, 2005

RECOM SECURITIES, INC.

COMPUTATIONS PURSUANT TO RULE 15c3-1

June 30, 2005

NET CAPITAL

Total shareholder's equity qualified for net capital	\$ 414,945
Deductions and/or charges	
Non-allowable assets	
Loans receivable - officers	240,000
Other assets	520
	<hr/>
Net capital before haircuts on securities positions (tentative net capital)	174,425
Haircuts on trading and investment securities	
Marketable securities	12,000
	<hr/>
Net capital	<u>\$ 162,425</u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accounts payable and accrued expenses	\$ 12,019
	<hr/>
Total aggregate indebtedness	<u>\$ 12,019</u>
Ratio: Aggregate indebtedness to net capital	<u>.07 to 1</u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	<u>\$ 801</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 100,000</u>
Excess net capital	<u>\$ 62,425</u>
Excess net capital at 1000%	<u>\$ 161,223</u>

RECONCILIATION WITH COMPANY'S COMPUTATION

(Included in Part II of Form X-17a-5 as of June 30, 2005)

Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 162,644
Audit adjustment - income taxes accrued	219
	<hr/>
Net capital, per above	<u>\$ 162,425</u>

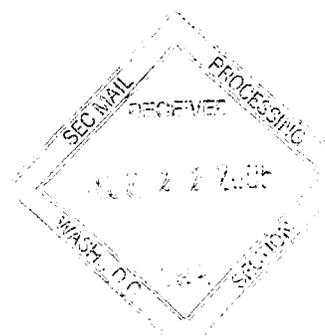
RECOM SECURITIES, INC.

**COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS UNDER RULE 15c3-3**

June 30, 2005

Recom Securites, Inc. is exempt from the requirement under rule 15c3-3k(s)(B) as follows:

All customer transactions are cleared through another broker-dealer on a fully disclosed basis. The clearing firm is ADP Clearing & Outsourcing Services, Inc.



**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

ANNUAL AUDITED REPORT

**RECOM SECURITIES, INC.
Years Ended June 30, 2005 and 2004**



**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

**REPORT ON
INTERNAL CONTROL**

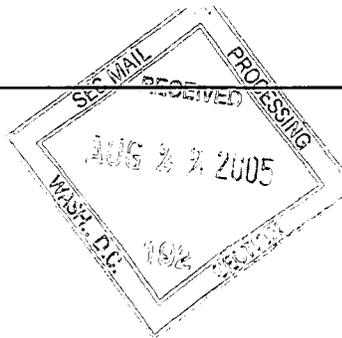
**RECOM SECURITIES, INC.
Year Ended June 30, 2005**



Lehrman, Flom & Co., P.L.L.P.

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Independent Auditors' Report on Internal Control
Required by SEC Rule 17a-5 for a Broker-Dealer
Claiming an Exemption from SEC Rule 15c3-3

Board of Directors
Recom Securities, Inc.
Minneapolis, Minnesota

In planning and performing our audit of the financial statements and supplemental schedules of Recom Securities, Inc. (the Company) for the year ended June 30, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 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
2. Recordation of differences required by rule 17a-13
3. 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 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.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including 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 were adequate at June 30, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Rehrman, Alton & Co., P.L.L.P.

August 2, 2005