

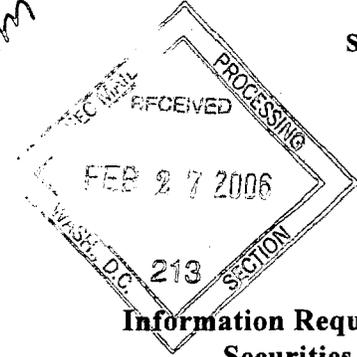


06002745

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	October 31, 2004
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 066131



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

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 January 01, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Richardson Barr Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

Five Post Oak Park, Suite 2360, 4400 Post Oak Parkway

(No. and Street)

Houston

Texas

77027

(City)

(State)

(Zip Code)

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

Stephen L. Barr, Designated Principal

(713) 585-3300

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ham, Langston & Brezina, LLP

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

11550 Fuqua, Suite 475

Houston

Texas

77034

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
APR 28 2006
THOMAS
FRAN

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.

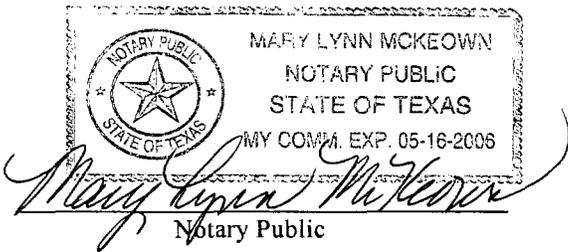
BB
4/27

OATH OR AFFIRMATION

I, Stephen L. Barr, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Richardson Barr Securities, Inc. of December 31, 2005, 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:

Stephen L. Barr
Signature

Designated Principal
Title



- 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 15c3-3 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.

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

RICHARDSON BARR SECURITIES, INC.

FINANCIAL STATEMENTS
WITH REPORT OF INDEPENDENT ACCOUNTANTS
for the years ended December 31, 2005 and 2004

RICHARDSON BARR SECURITIES, INC.

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Accountants	1
Financial statements:	
Statement of Financial Condition as of December 31, 2005 and December 31, 2004	2
Statement of Operations for the years ended December 31, 2005 and 2004	3
Statement of Changes in Stockholder's Equity for the years ended December 31, 2005 and 2004	4
Statement of Changes in Financial Condition for the years ended December 31, 2005 and 2004	5
Notes to Financial Statements	6
Supplementary Information:	
Schedule I - Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission for the year ended December 31, 2005	8
Schedule II - Computation for Determination of Reserve Requirement Under Rule 15c3-3 of the Securities and Exchange Commission as of December 31, 2005	9
Schedule III - Statement of Changes in Liabilities Subordinated to Claims of General Creditors as of December 31, 2005	10
Independent Auditors' Report on Internal Control Structure Required by SEC Rule 17a-5	11

HAM,
LANGSTON &
BREZINA, L.L.P.
Certified Public Accountants

Report of Independent Accountants

To the Board of Directors
Richardson Barr Securities, Inc.

We have audited the accompanying statement of financial condition of Richardson Barr Securities, Inc., a wholly owned subsidiary of Richardson Barr Financial Group, Inc., as of December 31, 2005 and 2004, and the related statements of operations, changes in stockholder's equity and changes in financial condition for the years ended December 31, 2005 and 2004, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Richardson Barr Securities, Inc. is a wholly owned subsidiary of Richardson Barr Financial Group. A Services Agreement exists between these two entities where Richardson Barr Financial Group provides services and pays certain overhead costs for Richardson Barr Securities, Inc. The fees charged for these services and overhead expenses are determined based on management's judgment.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Richardson Barr Securities, Inc., as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004 in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information contained in Schedules I and II 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 of 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.

Ham, Langston & Brezina LLP

Houston, Texas
February 10, 2006

RICHARDSON BARR SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
as of December 31, 2005 and 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash	\$ 393,734	\$ 62,260
Accounts receivable	108,750	-
Prepaid assets	<u>10,185</u>	<u>9,754</u>
Total current assets	<u>512,669</u>	<u>72,014</u>
Total assets	<u>\$ 512,669</u>	<u>\$ 72,014</u>
 <u>LIABILITIES AND STOCKHOLDER'S EQUITY</u>		
Refundable deposit	\$ 35,000	\$ 35,000
Taxes payable to Parent	<u>151,298</u>	<u>5,200</u>
Total current liabilities	<u>186,298</u>	<u>40,200</u>
Total liabilities	186,298	40,200
Common stock - 100,000 shares authorized, 10,000 shares issued and outstanding	10,000	10,000
Contributed capital	16,840	16,840
Retained earnings	<u>299,531</u>	<u>4,974</u>
Total liabilities and stockholder's equity	<u>\$ 512,669</u>	<u>\$ 72,014</u>

The accompanying notes are an integral
part of these financial statements.

RICHARDSON BARR SECURITIES, INC.
STATEMENT OF OPERATIONS
for the years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Revenue:		
Advisory fees	\$5,997,777	\$2,315,942
Expenses:		
Management and overhead	5,527,800	2,288,607
NASD expenses	22,918	11,289
Other expense	761	1,176
Total expenses	<u>5,551,479</u>	<u>2,301,072</u>
Net income before taxes	446,298	14,870
Income tax expense	<u>151,741</u>	<u>5,200</u>
Net income	<u>\$ 294,557</u>	<u>\$ 9,670</u>

The accompanying notes are an integral
part of these financial statements.

RICHARDSON BARR SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
for the year ended December 31, 2005 and 2004

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance at December 31, 2003	\$ 10,000	\$ 4,340	\$ (4,696)	\$ 9,644
Contributed capital	-	12,500	-	12,500
Net income	-	-	9,670	9,670
Balance at December 31, 2004	10,000	16,840	4,974	31,814
Net income	-	-	294,557	294,557
Balance at December 31, 2005	<u>\$ 10,000</u>	<u>\$ 16,840</u>	<u>\$ 299,531</u>	<u>\$ 326,371</u>

The accompanying notes are an integral
part of these financial statements.

RICHARDSON BARR SECURITIES, INC.
STATEMENT OF CHANGES IN FINANCIAL CONDITION
for the year ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net income	\$ 294,557	\$ 9,670
Increase in accounts receivable	(108,750)	-
Increase in prepaid assets	(431)	(9,399)
Decrease in deposits	-	431
Increase in taxes payable	146,098	5,200
Increase in refundable deposits	<u>-</u>	<u>35,000</u>
Net cash provided by operating activities	<u>331,474</u>	<u>40,902</u>
Cash flows from financing activities:		
Contributed capital	<u>-</u>	<u>12,500</u>
Net cash provided by financing activities	<u>-</u>	<u>12,500</u>
Net increase in cash	331,474	53,402
Cash and cash equivalents, beginning of year	<u>62,260</u>	<u>8,858</u>
Cash and cash equivalents, end of year	<u>\$ 393,734</u>	<u>\$ 62,260</u>
Taxes paid to parent	<u>\$ 5,200</u>	<u>\$ -</u>

The accompanying notes are an integral
part of these financial statements.

RICHARDSON BARR SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS

1. **Summary Of Significant Accounting Policies**

Nature Of The Business

Richardson Barr Securities, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Security Dealers (NASD) and is registered with various states' securities commissions. The Company's primary business is providing brokerage services to clients. The Company is a Texas corporation formed on May 30, 2003. The Company is a wholly owned subsidiary of Richardson Barr Financial Group, Inc. (the "Parent").

Income Taxes

The Company intends to elect to file its federal income tax return as a member of a consolidated group of corporations whose common parent is Richardson Barr Financial Group, Inc. As a member of such group, the company's income, deductions and credits will be included with the income, deductions, and credits of other members of the group in determining consolidated taxable income.

The tax liability will, therefore, be determined using the consolidated amounts. Each member of the consolidated group will be allocated its portion of the consolidated federal income tax liability or credited with its portion of any operating losses. Such allocation is reflected on the books of the company for the current year as tax expense of \$151,741 and taxes payable to Parent of \$151,298.

Additionally, the company will provide deferred taxes on temporary differences between the financial reporting basis and the tax methods of accounting. During the current year, there were no temporary differences to record.

Revenue Recognition

Advisory fees are recognized as revenue as services are provided, typically when the applicable transaction closes.

Use Of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of Credit Risk

Cash is the primary financial instrument that subjects the Company to concentration of credit risk. The Company maintains its cash in a bank selected based upon management's assessment of the bank's financial stability. Cash balances periodically exceed the \$100,000 federal depository insurance limit.

RICHARDSON BARR SECURITIES, INC.
NOTES TO THE FINANCIAL STATEMENTS, Continued

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

The company considers all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain reclassifications were made to the prior year to conform to current year presentation.

2. Net Capital Requirements

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined under such provisions, shall not exceed 15 to 1. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2005, the Company had net capital of approximately \$207,436, which was \$202,436 in excess of its required net capital of \$5,000. The Company's net capital ratio was .90 to 1. The net capital rules may effectively restrict the payment of cash dividends.

3. Services Agreement With Parent

On June 17, 2003 the Company entered into a Services Agreement with its Parent to provide certain services to the Company for a fee. Services include office and secretarial services, accounting, use of office facilities, insurance and other indirect expenses of operations. The service fee is computed by the Parent and can vary on a monthly basis depending on advisory fees collected. In addition to the service fee, the Parent may invoice the Company for overhead costs. Such expenses are determined by the Board of Directors of the Parent.

4. Subsequent Events

During January of 2006, the Company closed two significant transactions in the ordinary course of business. The advisory fees related to these transactions amounted to \$4,168,147.

SUPPLEMENTARY INFORMATION

RICHARDSON BARR SECURITIES, INC.
SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
for the year ended December 31, 2005

Net capital:	
Stockholders' equity	\$ 326,371
Less non-allowable assets	<u>(118,935)</u>
Net capital before haircuts on securities position	207,436
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 207,436</u>
Net capital requirement	\$ 5,000
Net capital in excess of required amount	<u>202,436</u>
Net capital	<u>\$ 207,436</u>
Aggregate indebtedness:	
Payable to parent	\$ 151,298
Refundable deposit	<u>35,000</u>
	<u>\$ 186,298</u>
Ratio of aggregate indebtedness to net capital	.90 to 1

Note - Computed regulatory net capital and aggregate indebtedness differ from that disclosed in the FOCUS report as of December 31, 2005 filed by Richardson Barr Securities, Inc. with the National Association of Securities Dealers on Part II of Form X-17A-5 as follows:

	<u>Net Capital</u>	<u>Aggregate Indebtedness</u>
Per FOCUS report	\$ 353,534	\$ 40,200
Audit adjustments	<u>(146,098)</u>	<u>146,098</u>
Per above	<u>\$ 207,436</u>	<u>\$ 186,298</u>

RICHARDSON BARR SECURITIES, INC.
SCHEDULE II - COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENT
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
as of December 31, 2005

The Company is in compliance with the exemption provisions of SEC Rule 15c3-3 (k)(2)(i) in that it carried no margin accounts, handled no customers' funds or securities, and held no funds or securities for or owed no money or securities to its customers.

RICHARDSON BARR SECURITIES, INC.
SCHEDULE III - STATEMENT OF CHANGES IN LIABILITIES
SUBORDINATED TO CLAIMS OF GENERAL CREDITORS
as of December 31, 2005

NONE

HAM,
LANGSTON &
BREZINA, L.L.P.
Certified Public Accountants

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

To the Board of Directors
Richardson Barr Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Richardson Barr Securities, Inc. for the year ended December 31, 2005, we considered its internal control structure 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.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 Commission'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 preparation of financial statements in conformity with generally accepted accounting practices and procedures. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them for the 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 the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities in the 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 the following matter involving the control activities and their operation that we consider to be material weakness as defined above. These conditions were considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Richardson Barr Securities, Inc. for the year ended December 31, 2005 and this report does not affect our report thereon dated February 10, 2006. The company records transactions primarily on a cash basis instead of on an accrual basis. This can lead to liabilities not being recorded or assets being expensed in the incorrect time period. The company plans to adjust its financial statements to accrual basis each quarter starting in 2006 so that all transactions will be recorded properly in accordance with generally accepted accounting principles.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission 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 December 31, 2005, to meet the Commission's objectives, except as described in the paragraph above.

This report is intended solely for the use of management, the Securities and Exchange Commission, the NASD and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

Ham, Langston & Brezina LLP

Houston, Texas
February 10, 2006