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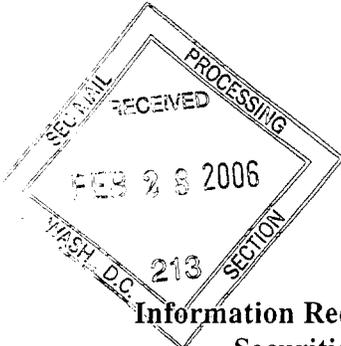
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Washington, D.C. 20549

BBB 3/11

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

SEC FILE NUMBER
B- 51748

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05 MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: KUHNS BROTHERS SECURITIES CORPORATION

OFFICIAL USE ONLY
FIRM I.D. NO.

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

558 LIME ROCK ROAD

(No. and Street)

LIME ROCK

CT

06039

(City)

(State)

(Zip Code)

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

ROBERT DRAKE

(860) 435-7000

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

BRACE & SUSSMAN, PLLC

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

12 PARMENTER ROAD

LONDONDERRY

NH

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED MAY 12 2005 THOMSON FINANCIAL

PROCESSED MAY 12 2006 THOMSON FINANCIAL

PROCESSED MAY 12 2006 THOMSON FINANCIAL

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\*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)

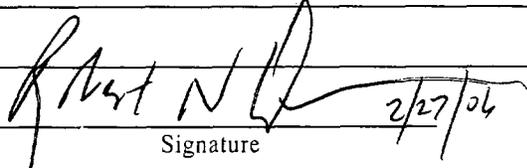
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Handwritten initials and marks

OATH OR AFFIRMATION

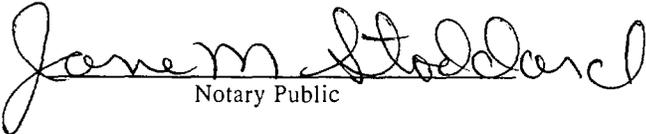
I, ROBERT DRAKE, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of KUHNS BROTHERS SECURITIES CORPORATION, as of DECEMBER 31, 2005, are true and correct. I further swear (or affirm) that neither the company 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:

**JANE M. STODDARD**  
**NOTARY PUBLIC**  
MY COMMISSION EXPIRES APR. 30, 2008

  
Signature

Vice · PRESIDENT

Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 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).

**KUHNS BROTHERS SECURITIES  
CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

Brace & Sussman, PLLC  
*Certified Public Accountants*  
12 Parmenter Road  
Londonderry, NH 03053

### **Independent Auditor's Report**

To the Board of Directors of  
Kuhns Brothers Securities Corporation  
Lakeville, CT

We have audited the accompanying statement of financial condition of Kuhns Brothers Securities Corporation (the Company) as of December 31, 2005, and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 of 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kuhns Brothers Securities Corporation as of December 31, 2005, and the results of their operations and their cash flows for the year then ended 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 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 under the Securities Exchange Act of 1934. 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.

*Brace & Sussman, PLLC*

Brace & Sussman, PLLC  
Certified Public Accountants  
Londonderry, New Hampshire  
February 23, 2006

**KUHNS BROTHERS SECURITIES CORPORATION**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2005**

**ASSETS**

Cash and cash equivalents	\$ 11,289
Receivable from broker-dealer	64,895
Demand note receivable	16,334
Accounts Receivable	1,164
Deposit with clearing organization	25,546
Prepaid expenses	4,239
Due from employees	4,780
Rental deposit	2,500
Customer list, at cost less accumulated amortization of \$18,250	71,750
Deferred tax asset	44,915
Equipment, at cost less accumulated depreciation of \$7,740	<u>1,208</u>
Total assets	<u>\$ 248,620</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Liabilities:

Accounts payable	\$ 5,211
Accrued payroll taxes	4,197
Accrued clearing expenses	6,588
Accrued commissions	27,887
Due to NASD	<u>10,825</u>
Total liabilities	<u>\$ 54,708</u>

Stockholders' equity

Common stock, \$.01 par value; authorized 100 shares, 100 issued and outstanding	\$ 1
Additional paid-in capital	327,828
Retained earnings (deficit)	<u>(133,917)</u>
Total stockholders' equity	<u>\$ 193,912</u>
Total liabilities and stockholders' equity	<u>\$ 248,620</u>

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

**KUHNS BROTHERS SECURITIES CORPORATION**

**STATEMENT OF INCOME**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

Revenues:

Commission income	\$ 644,585
Fee income	530,633
Interest income	<u>133</u>

Total revenue 1,175,351

Expenses:

Communications	20,122
Occupancy	48,672
Employee compensation and benefits	647,255
Consulting Expense	275,179
Regulatory and professional fees	36,385
Clearing Expense	51,865
Other expenses	80,983
Depreciation & amortization	<u>10,110</u>

Total expenses 1,170,571

Net income before taxes 4,780

Provision for income taxes 2,431

Net income \$ 2,349

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

**KUHNS BROTHERS SECURITIES CORPORATION**

**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Common Stock</u>	<u>Additional Paid In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total</u>
Balance at January 1, 2005	\$ 1	\$ 336,080	\$ (136,266)	\$ 199,815
Additional paid in capital		15,000		15,000
Capital distributions		(23,252)		(23,252)
Net income (loss)	<u>-</u>	<u>-</u>	<u>2,349</u>	<u>2,349</u>
Balance at December 31, 2005	<u>\$ 1</u>	<u>\$ 327,828</u>	<u>\$ (133,917)</u>	<u>\$ 193,912</u>

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

# KUHNS BROTHERS SECURITIES CORPORATION

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2005

Cash flows from operating activities:	
Net income	\$ 2,349
Adjustments to reconcile net income to net cash used in operating activities:	
Depreciation	4,110
Amortization	6,000
Deferred taxes	(1,215)
Decrease in due from broker-dealer	42,234
Decrease in due from officer	2,515
Decrease in accounts receivable	10,419
Increase in deposit with clearing organization	(546)
Decrease in demand note receivable	11,666
Increase in prepaid expenses	(4,239)
Increase in due from employees	(4,780)
Decrease in accounts payable	(1,981)
Decrease in accrued payroll taxes	(1,276)
Increase in accrued clearing expense	592
Increase in due to NASD	10,825
Decrease in accrued commissions	(63,342)
Net cash provided by operating activities	<u>\$ 13,331</u>
Cash flows from investing activities:	
Purchase of equipment	(3,030)
Cash flows from financing activities:	
Additional paid in capital	15,000
Capital distributions	(23,252)
Net cash used by financing activities	<u>(8,252)</u>
Net increase (decrease) in cash	\$ 2,049
Cash at beginning of the year	<u>9,240</u>
Cash at end of the year	<u>\$ 11,289</u>

### SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for:	
Interest payments	\$ 94
Income tax payments	<u>\$ 4,321</u>

### Disclosure of accounting policy:

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

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

# KUHNS BROTHERS SECURITIES CORPORATION

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2005

### NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

#### Organization and Nature of Business

The Company was incorporated under the laws of the State of Connecticut on March 15, 1999. It serves as a Broker Dealer in securities and provider of financial services.

#### Revenue And Expenses

Commission revenue and related expenses are recognized on the accrual basis using the trade date method.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Property and Equipment

Property and equipment are recorded at cost. The cost of maintenance and repairs are charged to expense as incurred. Major improvements to property and equipment are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for 2005 was \$4,110.

#### Compensated Absences

Compensated absences for sick pay and personal time have not been accrued since they cannot be reasonably estimated. The Company's policy is to recognize these costs when actually paid.

### NOTE 2- NET CAPITAL

As a broker-dealer, the Company is subject to the Securities and Exchange Commission's (SEC) regulations and operating guidelines, that require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as defined, not exceeding 15 to 1. The Company's net capital, as computed under 15c3-1, was \$46,476 at December 31, 2005, which exceeded required net capital of \$5,000 by \$41,476. The ratio of aggregate indebtedness to net capital at December 31, 2005 was 117.7%.

**KUHNS BROTHERS SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2005**

**NOTE 3- INCOME TAXES**

As of December 31, 2005 the Company had a total federal net operating loss carry forward of \$221,993. These net operating losses can be carried forward for 20 years to offset any future earnings.

There exist differences in timing of revenue and expense items between Generally Accepted Accounting Principles, the Internal Revenue Code, and the CT Tax code. Deferred income taxes summarizes these differences at the balance sheet date.

The provision for income taxes consists of the following:

	<u>Federal</u>	<u>State</u>	<u>Total</u>
Current	\$ 0	\$3,646	\$ 3,646
Deferred	<u>(6,833)</u>	<u>5,618</u>	<u>(1,215)</u>
	\$(6,833)	\$9,264	\$ 2,431

**NOTE 4- CONCENTRATION OF CREDIT RISK**

The Company is engaged in various trading and brokerage activities with counterparties. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the credit worthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business.

**NOTE 5- COMMITMENTS AND CONTINGENCIES**

The Company is committed to an operating lease for office space. Approximate future minimum lease payments of all noncancelable operating leases for the next five years are as follows:

2006	\$ 40,500
2007	40,500
2008	40,500
2009	40,500
2010	<u>40,500</u>
Total	<u>\$202,500</u>

Rent expense for the year ending December 31, 2005 was \$46,072.

**KUHNS BROTHERS SECURITIES CORPORATION**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**DECEMBER 31, 2005**

**NOTE 6- NOTE PAYABLE NASD**

During the year ended December 31, 2005 the Company incurred a \$15,000 fine from the NASD in regards to a disciplinary proceeding. The company paid \$3,750 at the time the fine was imposed and signed a promissory note for the remaining balance of \$11,250 plus interest at 10%, payable in 24 monthly installments. The first payment was paid December 21, 2005, so the balance due as of December 31, 2005 was \$10,825. Approximate future minimum principal and interest payments for the next two years are as follows:

2006	\$ 6,228
2007	<u>5,712</u>
Total	<u>\$11,940</u>

**KUHNS BROTHERS SECURITIES CORPORATION**

**SUPPLEMENTARY SCHEDULES**

**FOR THE YEAR ENDED DECEMBER 31, 2005**

**KUHNS BROTHERS SECURITIES CORPORATION**

**SCHEDULE I**

**COMPUTATION OF AGGREGATE INDEBTEDNESS AND NET CAPITAL  
PURSUANT TO RULE 15c3-1**

**DECEMBER 31, 2005**

Total ownership equity from statement of financial condition	\$ 193,912
Total nonallowable assets from statement of financial condition	<u>(147,436)</u>
Net capital before haircuts on securities positions	\$ 46,476
Haircuts on securities	<u>-</u>
Net capital	<u>\$ 46,476</u>
Aggregate indebtedness:	
Total A.I. liabilities from statement of financial condition	<u>\$ 54,708</u>
Total aggregate indebtedness	<u>\$ 54,708</u>
Percentage of aggregate indebtedness to net capital	<u>117.7%</u>
Computation of basic net capital requirement:	
Minimum net capital required (6-2/3% of A.I.)	<u>\$ 3,647</u>
Minimum dollar net capital requirement of reporting broker or dealer	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>
Excess net capital	<u>\$ 41,476</u>
Excess net capital at 1000%	<u>\$ 41,005</u>

There were no material differences between the audited and unaudited computation of net capital.

**SCHEDULE II**

**KUHNS BROTHERS SECURITIES CORPORATION**

**COMPUTATION FOR DETERMINATION OF  
RESERVE REQUIREMENTS FOR BROKER/DEALER UNDER  
RULE 15c3-3 OF THE SECURITIES EXCHANGE ACT OF 1934**

**DECEMBER 31, 2005**

Kuhns Brothers Securities Corporation is exempt from the reserve requirements of Rule 15c3-3 as its transactions are limited, such that they do not handle customer funds or securities, accordingly, the computation for determination of reserve requirements pursuant to Rule 15c3-3 and information relating to the possession or control requirement pursuant to Rule 15c3-3 are not applicable.

Brace & Sussman, PLLC  
*Certified Public Accountants*  
12 Parmenter Road  
Londonderry, NH 03053

**Independent Auditor's Report on Internal  
Control Structure Required by SEC Rule 17a-5**

Board of Directors  
Kuhns Brothers Securities Corporation

In planning and performing our audit of the financial statements and supplemental schedules of Kuhns Brothers Securities Corporation (the Company), for the year ended December 31, 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 the 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 of 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 preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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 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 the Company's practices and procedures were adequate at December 31, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, The National Association of Securities Dealers, Inc. 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.

*Brace & Sussman, PLLC*

Brace & Sussman, PLLC  
Certified Public Accountants  
Londonderry, New Hampshire  
February 23, 2006

Brace & Sussman, PLLC  
*Certified Public Accountants*