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OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

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

SEC FILE NUMBER
8- 37675

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 1/01/05 AND ENDING 12/31/05
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Brooke Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

295 Madison Avenue, 5th Floor

(No. and Street)

New York

New York

10017

(City)

(State)

(Zip Code)

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

Mr. Paul Ferguson

(212) 403-9500

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Grant Thornton LLP

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

60 Broad Street

New York

N.Y.

(Address)

(City)

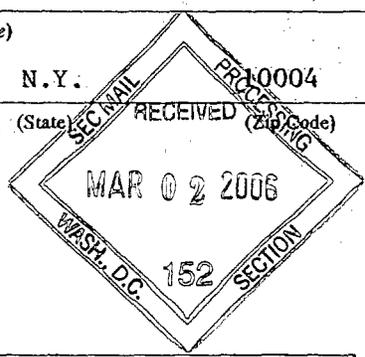
(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
MAY 25 2006
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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)

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OATH OR AFFIRMATION

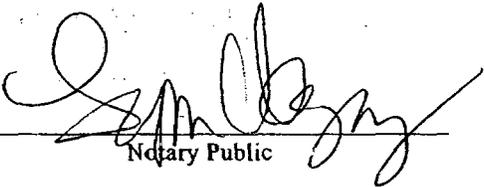
I, Paul Ferguson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brooke Securities, Inc., as

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:


Signature

President

Title


Notary Public

LYNN VAZQUEZ
Notary Public, State of New York
No 01VA5036027
Qualified in Queens County
Commission Expires 11-14-2006

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.

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

REPORT PURSUANT TO RULE 17a-5(d) AND
REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

BROOKE SECURITIES, INC.

December 31, 2005

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholder of
Brooke Securities, Inc.

We have audited the accompanying statement of financial condition of Brooke Securities, Inc. (the "Company") as of December 31, 2005, and the related statements of income, 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 of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 Brooke Securities, Inc. as of December 31, 2005, 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 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 on pages 13 and 14 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.



New York, New York
February 16, 2006

Brooke Securities, Inc.

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

ASSETS

Cash and cash equivalents	\$325,565
Receivable from broker	105,216
Securities owned, at market value	45,599
Commissions receivable	29,151
Prepaid expenses	11,318
Other	<u>1,356</u>
Total assets	<u>\$518,205</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Payable to parent	\$ 33,055
Payable to affiliate	4,153
Accounts payable and accrued expenses	75,888
Other	<u>13,424</u>
Total liabilities	<u>126,520</u>
Commitments and contingencies	
Stockholder's equity	
Common stock, \$.01 par value; authorized, 1,000 shares; issued and outstanding, 720 shares	7
Additional paid-in capital	365,867
Retained earnings	<u>25,811</u>
Total stockholder's equity	<u>391,685</u>
Total liabilities and stockholder's equity	<u>\$518,205</u>

The accompanying notes are an integral part of this statement.

Brooke Securities, Inc.

STATEMENT OF INCOME

Year ended December 31, 2005

Revenues	
Commissions	\$ 854,580
Referral fees	95,721
Interest and dividends	76,489
Trading gains	60,589
Other	<u>2,441</u>
Total revenues	<u>1,089,820</u>
Expenses	
Referral fees	394,908
Commissions	220,028
Salaries and benefits	167,202
Execution and clearing costs	116,622
Rent	40,500
Communications	24,604
Depreciation	597
Professional fees	80,213
Leases	14,562
Registration fees	11,104
Insurance	2,866
Entertainment and travel	3,440
Subscriptions and publications	1,964
Other	<u>8,350</u>
Total expenses	<u>1,086,960</u>
Net income before provision for income taxes	2,860
Provision for income taxes	<u>1,415</u>
NET INCOME	<u>\$ 1,445</u>

The accompanying notes are an integral part of this statement.

Brooke Securities, Inc.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Year ended December 31, 2005

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings</u>	<u>Total stockholder's equity</u>
Balance at January 1, 2005	\$7	\$365,867	\$24,366	\$390,240
Dividends paid				
Net income	—	—	<u>1,445</u>	<u>1,445</u>
Balance at December 31, 2005	<u>\$7</u>	<u>\$365,867</u>	<u>\$25,811</u>	<u>\$391,685</u>

The accompanying notes are an integral part of this statement.

Brooke Securities, Inc.

STATEMENT OF CASH FLOWS

Year ended December 31, 2005

Cash flows from operating activities	
Net income	\$ 1,445
Adjustment to net income	
Depreciation	<u>597</u>
Net income after adjustment	2,042
(Increase) decrease in operating assets	
Receivable from broker	27,718
Securities owned, at market	147,219
Commissions receivable	(7,441)
Receivable from affiliate	12,419
Prepaid expenses	462
Other	(93)
Increase (decrease) in operating liabilities	
Payable to parent	1,315
Payable to affiliate	(150,597)
Accounts payable and accrued expenses	21,512
Other	<u>(4,750)</u>
Net cash provided by operating activities	<u>49,806</u>
Net increase in cash	49,806
Cash and cash equivalents, beginning of year	<u>275,759</u>
Cash and cash equivalents, end of year	<u>\$ 325,565</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE A - ORGANIZATION

Brooke Securities, Inc. (the "Company") is a registered broker-dealer with the Securities and Exchange Commission ("SEC") and a member of the National Association of Securities Dealers, Inc. ("NASD").

The Company is principally engaged in a retail business to generate commission revenue through the sale of securities, introducing all customers to its clearing broker pursuant to a fully disclosed clearance agreement and is therefore exempt from the requirements of SEC rule 15c-3 under paragraph k(2)(ii). The Company is a wholly-owned subsidiary of Brooke Securities Holdings, Inc. (the "Parent").

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Company considers its investments in financial instruments with maturities of less than 90 days when issued to be cash equivalents. As of December 31, 2005, the Company invested \$263,595 in a Money Market Fund Deposit account sponsored by its clearing broker.

Securities Transactions

The Company records securities transactions executed for the Company or for its customers and the related commissions and expenses on a trade-date basis. Interest income is recorded on the accrual basis.

The Company values securities at fair market value. Fair market value is determined as follows: Securities owned and securities sold, but not yet purchased listed on a national securities exchange are valued at the closing market price on the principal exchange on which they are traded.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005

NOTE B (continued)

Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the bid price for long positions and the asked price for short positions.

Net changes in unrealized appreciation or depreciation of investments are included in the statement of income.

Income Taxes

The Company is subject to Federal, state and local corporate income taxes. The Company files a consolidated Federal tax return and a combined return for state and local purposes with its Parent. The Company has recorded \$33,055 of its allocable share of Federal, state and local income tax liability for the combined group of the Parent, which is reflected in the statement of income.

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 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 period. Actual results could differ from those estimates.

NOTE C - NET CAPITAL REQUIREMENT

As a registered broker-dealer, the Company is subject to Uniform Net Capital Rule 15c3-1 of the SEC, which requires that the Company maintain minimum net capital, as defined, of \$100,000 or 6-2/3% of aggregate indebtedness, as defined, whichever is greater. Net capital and aggregate indebtedness change day to day, but as of December 31, 2005, the Company had net capital of \$366,899, which was \$266,899 in excess of its required minimum net capital of \$100,000. The Company's ratio of aggregate indebtedness to net capital was 0.34.

Proprietary accounts held at the Clearing Broker ("PAIB assets") are considered allowable assets in the computation of net capital pursuant to an agreement between the Company and the Clearing Broker which requires, among other things, pursuant to the PAIB agreement, that the Clearing Broker perform a computation of PAIB assets similar to the customer reserve computation set forth in Rule 15c3-3.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005

NOTE D - RELATED PARTY TRANSACTIONS

The Company pays a referral fee for brokerage commissions to Brooke Securities Bermuda Limited, "Brooke Bermuda," which amounted to \$394,908 for the year ended December 31, 2005. At December 31, 2005, the amount payable to Brooke Bermuda for these fees was \$29,881. Additionally, the Company receives a referral fee for brokerage commissions from Brooke Bermuda, which amounted to \$95,721, of which the amount due at December 31, 2005 is \$25,939.

The Company has a payable to the Parent for its allocable share of Federal, state and local income tax liability for the combined group of the Parent. At December 31, 2005, the amount payable to the Parent for taxes amounted to \$33,055.

For the year ended December 31, 2005, Olympia Capital Associates, L.P. ("OCA") advanced the Company approximately \$102,000 for certain expenses, of which \$210 is payable at December 31, 2005.

NOTE E - TRANSACTIONS WITH CLEARING BROKER

The Company conducts business with its clearing broker on an agency basis on behalf of its customers and occasionally for its own proprietary account. The Company earns commissions as an introducing broker for the transactions of its customers. The clearing and depository operations for the Company's customer accounts are performed by its clearing broker pursuant to a clearance agreement.

The Company has agreed to indemnify its clearing broker for losses the clearing broker may sustain as a result of the failure of the Company's customers to satisfy their obligations in connection with their securities transactions

**NOTE F - OFF-BALANCE-SHEET RISK, CONCENTRATION RISK
AND CREDIT RISK**

In the normal course of business, the Company executes with its clearing broker, as agent, transactions on behalf of its customers where the risk of potential loss due to market fluctuations (market risk) or failure of the other party to the transaction to perform (credit risk) exceeds the amounts recorded for the transactions. Should a counterparty not fulfill its obligations in any of these transactions, the Company may be required to buy or sell the securities at prevailing market prices in the future on behalf of its customers.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2005

NOTE G - COMMITMENTS AND CONTINGENCIES

Lease Obligations

The Company leases its premises under an annual sublease agreement (the "Agreement") with OCA for a one-year period ending December 31 of each year. The Agreement has been renewed to December 31, 2006 under the same terms and conditions. The annual rent for the premises charged to the Company by OCA is \$40,500, which is included in the statement of income. For the period ended December 31, 2006, the rent commitment is \$30,000.

SUPPLEMENTARY INFORMATION

Brooke Securities, Inc.

COMPUTATION OF NET CAPITAL PURSUANT TO
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

December 31, 2005

Net capital	
Ownership equity qualified for net capital	\$391,685
Deductions and/or charges	
Nonallowable assets	
Prepaid expenses and other	<u>12,674</u>
Net capital before haircuts on securities positions	379,011
Haircuts	<u>12,112</u>
Net capital	366,899
Minimum net capital requirement - the greater of 6-2/3% of aggregate indebtedness of \$126,520 or \$100,000	<u>100,000</u>
Excess net capital	<u>\$266,899</u>
Ratio of aggregate indebtedness to net capital	<u>.34 to 1</u>

There are no material differences between the above computation and the computation included in the Company's corresponding unaudited Form X-17A-5 Part IIA filing.

Brooke Securities, Inc.

STATEMENT PURSUANT TO RESERVE REQUIREMENTS OF RULE 15c3-3

December 31, 2005

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of that Rule.