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

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MAY 30 2006
WASH., D.C. 209
SECTION

SEC FILE NUMBER
8-15305

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 4/1/05 AND ENDING 3/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Empire Securities Corporation

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

10 Universal City Plaza 20th Floor

(No. and Street)

Universal City, California 91608

(City)

(State)

(Zip Code)

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

Jamie Bennett

(818) 753-2353

(Area Code - Telephone Number)

OFFICIAL USE ONLY
FIRM I.D. NO.

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

David E. Lazarus

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

10801 National Blvd Ste 608 Los Angeles, California 90064

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

PROCESSED
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JUL 17 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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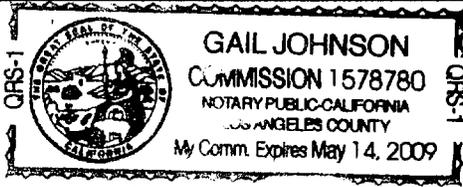
OATH OR AFFIRMATION

I, Jamie S. Bennett, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Empire Securities Corporation, as of March 31, 2006, 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:

NONE

NONE

NONE



[Signature]
Signature
Jamie S. Bennett
Chief Financial Officer
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 Cash Flows~~ **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 15c3-1 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) **Independent Auditor's Report on Internal Control Structure**

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

DAVID E. LAZARUS
CERTIFIED PUBLIC ACCOUNTANT

May 26, 2006

Securities and Exchange Commission
450 5th Street N.W.
Washington, D.C. 20549



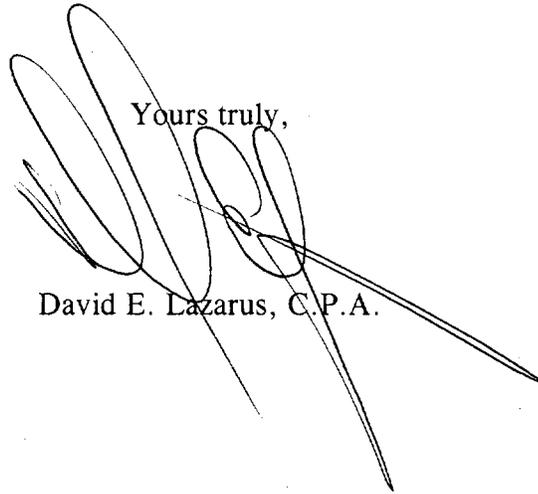
Re: Empire Securities Corporation
SEC File No. 8-15305

Gentlemen;

Enclosed please find the audited financial statements and Form X-17A-5 Part 3 for Empire Securities Corporation for the year ended March 31, 2006.

Should you have any questions regarding the enclosed reports, please do not hesitate to contact me.

Yours truly,



David E. Lazarus, C.P.A.

Enclosure

EMPIRE SECURITIES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2006

Empire Securities Corporation

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DAVID E. LAZARUS
CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

Board of Directors
Empire Securities Corporation
Los Angeles, California

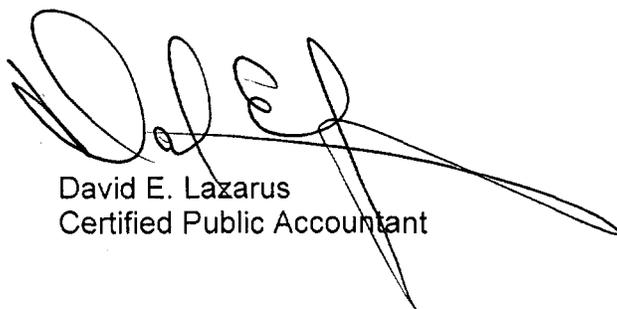
Gentlemen:

I have audited the accompanying statement of financial condition of Empire Securities Corporation as of March 31, 2006, and the related statements of income, changes in stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain a 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. I believe that my audit provided a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empire Securities Corporation at March 31, 2006, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



David E. Lazarus
Certified Public Accountant

Los Angeles, California
May 12, 2006

Empire Securities Corporation
Statement of Financial Condition
March 31, 2006

ASSETS

Cash		\$ 59,753
Cash - clearing deposit		10,381
Commissions receivable		<u>569,497</u>
Allowable assets		639,631
Commissions receivable	\$ 61,987	
Interest receivable	1,001	
Deposits	3,052	
Property and equipment, at cost		
Less accumulated depreciation of \$19,120	45,880	
State income tax overpayment	4,918	
NASDAQ warrants	<u>3,300</u>	
Unallowable assets		<u>120,138</u>
		<u>\$ 759,769</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities		
Accounts payable and accrued expenses		\$ 23,860
Commissions payable		390,190
Accrued salaries		142,578
Income taxes payable – current		6,968
Income taxes payable – deferred		<u>16,293</u>
Total liabilities		579,889
Shareholders' equity		
Common stock		
Class A, \$.50 par value; authorized 50,000 shares; no shares issued and outstanding	\$ -	
Class B, \$.50 par value; authorized 50,000 shares; issued and outstanding 1,000 shares	500	
Additional paid in capital	41,000	
Retained earnings	<u>138,380</u>	
Total shareholders' equity		<u>179,880</u>
		<u>\$ 759,769</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

Empire Securities Corporation
Statement of Income
For the Year Ended March 31, 2006

Revenue		
Commissions – principal		\$ 4,325
Commissions – listed		18,531
Commissions – OTC		36,738
Commissions – third market		44,310
Commissions – mutual funds		471,407
Commissions – 12B-1 trailings		232,194
Commissions – variable annuities		322,089
Commissions – direct participation programs		4,484,263
Investment advisory fees		282,839
Interest		18,945
Miscellaneous income		<u>76,121</u>
Total revenue		5,991,762
Cost of revenues		
Commission	\$ 4,320,708	
Clearing expenses	<u>16,543</u>	
Total cost of revenues		<u>4,337,251</u>
Net revenues retained		1,654,511
General and Administrative expenses		
Officer salaries	900,663	
Travel and entertainment	123,804	
Administrative services	120,000	
Pension plan contribution	100,000	
Rent and occupancy expenses	69,800	
Automobile expenses	43,402	
Seminar expenses	41,093	
Office expenses	28,951	
NASD membership assessments and fees	28,740	
Payroll taxes	24,602	
Professional fees and services	22,795	
Depreciation	12,509	
Taxes - miscellaneous	9,806	
Office salaries	9,040	
Postage and overnight mail	7,974	
Insurance	7,068	
Telephone and communications	5,408	
Other general and administrative expenses	<u>20,830</u>	
Total cost and expense		<u>1,576,485</u>
Income before provision for income taxes		78,026
Provision for incomes taxes		<u>28,393</u>
Net income		<u><u>\$ 49,633</u></u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

Empire Securities Corporation
Statement of Changes in Shareholder's Equity
For the Year Ended March 31, 2006

	Class A Common Stock \$.50 Par Value; 50,000 Authorized; Shares Issued and Outstanding	Class A Common Stock \$.50 Par Value; 50,000 Authorized Amount	Class B Common Stock \$.50 Par Value; 50,000 Authorized; Shares Issued and Outstanding	Class B Common Stock \$.50 Par Value; 50,000 Authorized Amount	Additional Paid In Capital	Retained Earnings/ Accumulated Deficit	Total
Balance – April 1, 2005	-	\$ -	1,000	\$ 500	\$ 41,000	\$ 88,747	\$ 130,247
Net income for year	_____	_____	_____	_____	_____	49,633	49,633
Balance-March 31, 2006	<u>-</u>	<u>\$ -</u>	<u>1,000</u>	<u>\$ 500</u>	<u>\$ 41,000</u>	<u>\$ 138,380</u>	<u>\$ 179,880</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

Empire Securities Corporation
Statement of Cash Flows
For the Year Ended March 31, 2006

Cash flow from operating activities:		
Net income		\$ 49,633
Adjustments		
Depreciation		12,509
(Increase) in commissions receivable		(441,762)
(Increase) in state income tax overpayment		(4,918)
Decrease in interest receivable		755
(Increase) in deposits		(452)
Increase in accounts payable and accrued expenses		15,598
Increase in commission payable		61,186
Increase in accrued salaries		142,578
(Decrease) in income taxes payable – current		(4,229)
Increase in income taxes payable – deferred		<u>1,945</u>
Net cash flow from operating activities		(167,157)
Cash flow from investing activities		
Acquisition of property and equipment	<u>-</u>	
Net cash flow from investing activities		-
Cash flow from financing activities:		
None	<u>-</u>	
Net cash flow from financing activities		<u>-</u>
(Decrease) in cash and equivalents		(167,157)
Cash and equivalents – April 1, 2005		<u>237,291</u>
Cash and equivalents - March 31, 2006		<u>\$ 70,134</u>
Interest paid during year		<u>-</u>
Income taxes paid during year		<u>\$ 30,380</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

Empire Securities Corporation
Notes to Financial Statements
March 31, 2006

Note 1. Significant Accounting Policies

- A. The Company is a registered broker/dealer selling investments in mutual funds, stocks, bonds, direct placement securities and insurance products. In connection with the sale of stocks and bonds, the Company uses another securities dealer as a clearinghouse for these transactions. For these services, the Company receives commissions from the mutual fund distributor, the direct placement promoter, and insurance carrier.
- B. Property and equipment is stated at cost. Depreciation is provided for on a straight-line basis at rates determined by the estimated useful lives of the respective assets. Expenditures for major renewals and betterments that extend the useful lives of office furniture and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. For income tax purposes, depreciation is computed using the modified accelerated cost recovery system and double declining method.
- C. Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to the difference of depreciation for financial and income tax reporting. The deferred tax liabilities represent the future tax return consequences of this difference, which will be taxable when the assets are recovered.
- D. For purposes of the Statement of Cash Flows, the Company considers all short-term investments with maturities at the date of purchase of three months or less to be cash equivalent.
- E. 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.

Note 2. Net Capital Requirement

The Company, as a registered broker/dealer, is required to maintain a minimum net capital, as defined by rule 15c3-1 of the Securities and Exchange Act of 1934. As of March 31, 2006, the computed net capital and the required net capital, computed under rule 15c3-1, were \$59,742 and \$38,659, respectively.

Note 3. Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of commissions' receivable. Concentrations of credit risk with respect to commissions' receivable are limited due to the credit worthiness of the payors, which consist of various mutual funds, insurance carriers and brokerage houses. Accordingly, at March 31, 2006, the Company had no significant concentrations of credit risk.

Note 4. Property and Equipment

Property and equipment consists of the following classifications:

Office furniture and equipment	\$ 8,594
Transportation equipment	<u>56,406</u>
	65,000
Less accumulated depreciation	<u>19,120</u>
	<u>\$ 45,880</u>

Note 5. Income Taxes

The Company's provision for income taxes does not bear the normal relationship to pre-tax income. This variance is due to the fact that fifty (50%) percent of the entertainment and business meal expenses incurred by the Company are nondeductible for Federal and California income tax purposes.

Income tax expense at March 31, 2006, consists of the following:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal Income Taxes – Current	\$ 18,458	\$ 1,228	\$ 19,686
State Income Taxes – Current	<u>7,990</u>	<u>717</u>	<u>8,707</u>
Total Income Tax Expense	<u>\$ 26,448</u>	<u>\$ 1,945</u>	<u>\$ 28,393</u>

Note 6. Leases

The Company leased certain office space on a month-to-month basis through January 2004.

In February 2006, the Company renewed its lease agreement for office space, which expires in January 2007. This lease requires monthly lease payments of \$2,600 plus additional charges for telephone, internet services and parking.

In addition, the Company entered into a lease agreement for office space with one of its shareholders. This lease is on a month-to-month basis, with no termination date.

During the fiscal year ended March 31, 2006, the Company incurred rent expense under these leases of \$69,800.

Note 7. NASDAQ Warrant

The Company had acquired 300 warrants to acquire shares in NASDAQ. These warrants are exercisable into 300 shares of NASDAQ stock at a price ranging from \$13 to \$16 per share. At March 31, 2006, the Company had not exercised these warrants.

Note 8. Pension Plan

The Company adopted a non-contributory-defined benefit plan effective April 1, 2004. The plan provides for defined benefits based on years of service and final average compensation. The Company used a March 31 measurement date for the plan.

The following table provides further information about this plan:

a.	Projected benefit obligation	\$108,080
b.	Fair value of Plan Assets (cash)	151,835
c.	Funded status of the Plan	43,755
d.	Employer contribution	100,000
e.	Accumulated benefit obligation	108,080
f.	Current and future benefits to be paid within the next ten years	None
g.	Weighted Average Discount Rate	6%
h.	Average percentage increase in compensation	0%
i.	Minimum funding requirement for the next fiscal year	99,993
j.	Net periodic pension costs	54,040

Note 10. Related Party Transactions

The following transactions occurred between the Company and a principal shareholder:

1. During the fiscal year ended March 31, 2006, the Company paid commissions of approximately \$29,500 to a salesperson related to a principal shareholder.
2. During the fiscal year ended March 31, 2006, the Company paid rent of approximately \$36,000 to a principal shareholder.
3. During the fiscal year ended March 31, 2006, the Company paid an administrative fee of approximately \$120,000 to a principal shareholder.
4. During the fiscal year ended March 31, 2006, the Company leased transportation equipment having a fair market value of approximately \$60,000 for use by a principal shareholder. Lease payments on this equipment amounted to approximately \$12,900 for the fiscal year ended March 31, 2006.

Empire Securities Corporation
Computation of Net Capital Pursuant to Rule 15c3-1
March 31, 2006

Total Shareholder's equity from Statement of Financial Condition	\$ 179,880
Less non-allowable assets	<u>120,138</u>
Net capital	<u>\$ 59,742</u>

Computation of Basic Net Capital Requirement

Minimum net capital required	\$ 5,000
Net capital from above	<u>\$ 59,742</u>
Excess net capital	<u>\$ 54,742</u>

Computation of Ratio of Aggregate Indebtedness

Total liabilities	<u>\$ 579,889</u>
Net capital from above	<u>10.59 to 1</u>

The computation of net capital as reported in the Unaudited Part IIA filing does not agree with the audited net capital as reported in the reconciliation of net capital.

Empire Securities Corporation
Reconciliation of Net Capital
March 31, 2006

Net capital as reported in unaudited Focus Report Part II A	\$ 55,507
Adjustments related to:	
Minor adjustments for additional income (expenses)	1
Increase in commission income receivable net of Increase in disallowed commissions	226,732
(Increase) in commission expense	(53,437)
(Increase) in officer salaries	(142,578)
(Increase) accounts payable and accrued expenses	(17,692)
(Increase) in income taxes payable – current	(6,846)
(Increase) in income taxes payable – deferred	<u>(1,945)</u>
Net capital as reported in audited financial statements	<u>\$ 59,742</u>

Audited Computation of Net Capital Requirement

Statutory net capital required	<u>\$ 5,000</u>
6 2/3% of aggregate indebtedness	<u>\$ 38,659</u>
Net capital requirement – greater of statutory net Capital or percentage of aggregate indebtedness	<u>\$ 38,659</u>
Net capital from above	<u>\$ 59,742</u>
Excess net capital	<u>\$ 21,083</u>

Audited Computation of Ratio of Aggregate Indebtedness

Total liabilities	<u>\$ 579,889</u>
Ratio of aggregate indebtedness to net capital	<u>10.59 to 1</u>

The computation of net capital as reported in the unaudited Part IIA filing differs from the audited net capital for the reasons above. Though these differences are material, the audited net capital is still well in excess of the minimum net capital required.

Independent Auditor's Report on Internal Control Structure

Board of Directors
Empire Securities Corporation
Universal City, California

In planning and performing my audit of the financial statements of Empire Securities Corporation for the year ended March 31, 2006, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purposes of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by the firm that I considered relevant to the objectives stated in rule 17a-5(g)(1)(i) in making the periodic computation of aggregate indebtedness and net capital under rule 17a-3(a)(11), and for determining compliance with the exemptive provision of Rule 15c3-3. Because the firm 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 firm in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of the difference 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 Firm 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 internal control structure policies and procedures 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 an internal control structure 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 principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Independent Auditor's Report on Internal Control Structure

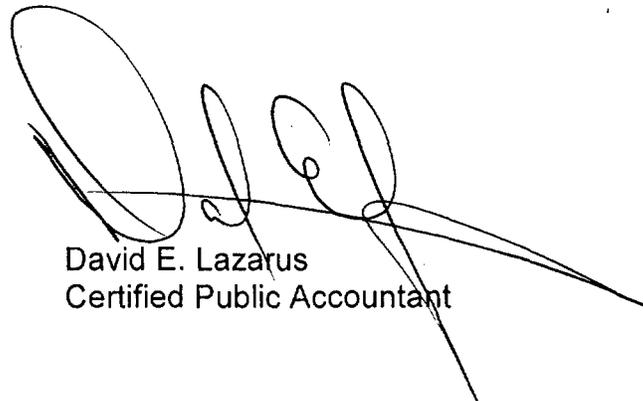
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Because of the inherent limitations in any internal control structure or the practices and procedures referred to above, errors and irregularities may occur and not be detected. In addition, projection of any evaluation of them in future periods is subject to risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the 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 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the company's practices and procedures were adequate at March 31, 2006 to meet the Commission's objectives.

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



David E. Lazarus
Certified Public Accountant

Empire Securities Corporation
Possession and Control Requirements of Customer Funds and
Related Computational Reserve Report
March 31, 2006

Empire Securities Corporation, as a registered broker/dealer, is subject to quarterly filings of Part IIA of Form X-17A-5 (the Focus Report). The Company does not handle securities as all transactions are on a fully disclosed basis. As such, the Company claims exemption from the possession or control requirements under rule 15c-3-3. The Company claims its exemption from Rule 15c3-3 provision pursuant to Sections (k)(2)(ii) of that rule in that all transactions are handled and all monies and securities, if received directly, are promptly transmitted to the clearing broker.

A reconciliation of this computation is not necessary because of the Company's claimed exemption.