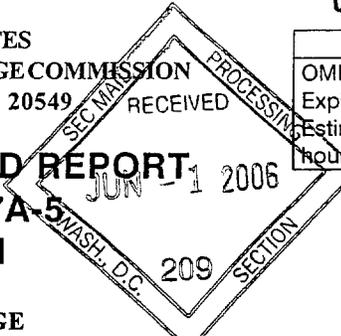




UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL  
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hours per response..... 12.00

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



SEC FILE NUMBER  
8-14045

AB  
7/8

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 04/01/05 AND ENDING 03/31/06  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Monroe Securities, Inc.  
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY  
FIRM I.D. NO.

343 W. Erie Street, Suite 410

(No. and Street)

Chicago

(City)

Illinois

(State)

60610

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Daniel Kanter or Craig Carlino (312) 327-2530  
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Salmin, Celona, Wehrle & Flaherty, LLP

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

1170 Chili Avenue

(Address)

Rochester

(City)

New York

(State)

14624-3033

(Zip Code)

CHECK ONE:

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

PROCESSED  
JUL 10 2006  
THOMSON  
FINANCIAL

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

AB  
7/8/06

**MONROE SECURITIES, INC.**

Financial Statements  
March 31, 2006 and 2005

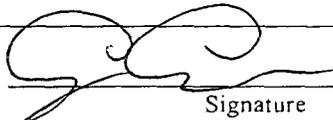
OATH OR AFFIRMATION

I, Craig Carlino, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Monroe Securities, Inc., as of March 31, 20 06, 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:

N/A

1

STATE OF: ILLINOIS  
COUNTY OF: COOK  
SIGNED AND SHOWN TO BEFORE ME ON  
THIS 30TH DAY OF MAY, 2006  
BY CRAIG CARLINO



Signature

CFO

Title

Malgorzata Cichecki

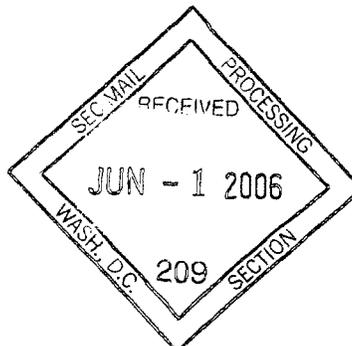
Notary Public



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 15c3-1 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) Report of Independent Accountants on Internal Control as required by SEC Rule 17a-5

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



# SALMIN, CELONA, WEHRLE & FLAHERTY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1170 CHILI AVENUE • ROCHESTER, NY 14624-3033  
585 / 279 / 0120 • FAX 585 / 279 / 0166 • www.scwf-cpa.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders  
Monroe Securities, Inc.

We have audited the statements of financial condition of Monroe Securities, Inc. as of March 31, 2006 and 2005, and the related statements of income, changes in shareholders' 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 Monroe Securities, Inc. as of March 31, 2006 and 2005, 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.

Monroe Securities, Inc. is a 100% owned subsidiary of Monroe Securities Holdings, Inc.

*Salmin, Celona, Wehrle & Flaherty, LLP*

Salmin, Celona, Wehrle & Flaherty, LLP

May 8, 2006

MONROE SECURITIES, INC.  
STATEMENTS OF FINANCIAL CONDITION  
MARCH 31, 2006 AND 2005

ASSETS

	<u>2006</u>	<u>2005</u>
Cash	\$ 141,050	\$ 368,899
Receivable from brokers and dealers	1,323,355	1,602,617
Securities in firm account, at market	1,542,660	1,992,018
Investment in limited partnership	-	806,896
Due from affiliates	296,897	-
Property and equipment, net	57,261	78,027
Restricted deposits	250,000	250,000
Other assets	1,904	1,000
Goodwill	<u>4,783,873</u>	<u>4,783,873</u>
Total assets	<u>\$ 8,397,000</u>	<u>\$ 9,883,330</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Accounts payable and other liabilities	\$ 161,242	\$ 109,962
Securities sold but not yet purchased	94,233	189,175
Income taxes payable	69,750	72,817
Deferred compensation	-	36,893
Deferred tax liability	<u>29,427</u>	<u>49,220</u>
Total liabilities	<u>354,652</u>	<u>458,067</u>

Shareholders' equity:

Common stock, par value \$.02 per share; authorized 1,000,000 shares; issued and outstanding 383,888 shares	7,678	7,678
Capital in excess of par value	8,800,600	8,800,600
Retained earnings (deficit)	<u>(765,930)</u>	<u>616,985</u>
Total shareholders' equity	<u>8,042,348</u>	<u>9,425,263</u>
Total liabilities and shareholders' equity	<u>\$ 8,397,000</u>	<u>\$ 9,883,330</u>

See accompanying notes to financial statements

MONROE SECURITIES, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Revenue:		
Income on securities transactions, net	\$ 3,501,697	\$ 5,046,772
Interest, dividends and other income	144,371	197,715
Administrative service income	58,333	-
Commissions	<u>45,650</u>	<u>75,387</u>
Total revenue	<u>3,750,051</u>	<u>5,319,874</u>
Expenses:		
Compensation and benefits	1,622,704	1,693,758
Technology and subscriptions	674,116	595,988
Occupancy	127,418	118,111
Other operating expenses	180,395	152,263
Professional fees	<u>28,141</u>	<u>36,144</u>
Total expenses	<u>2,632,774</u>	<u>2,596,264</u>
Income before provision for income taxes	1,117,277	2,723,610
Provision for income taxes	<u>417,214</u>	<u>1,004,882</u>
Net income	<u>\$ 700,063</u>	<u>\$ 1,718,728</u>

See accompanying notes to financial statements

MONROE SECURITIES, INC.  
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings (Deficit)</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance, March 31, 2004	\$ 7,678	\$8,800,600	\$ 1,389,127	\$26,653	\$10,224,058
Net income for the year ended March 31, 2005	-	-	1,718,728	-	1,718,728
Other comprehensive income, net of tax	-	-	-	(26,653)	(26,653)
Dividends paid	-	-	(2,490,870)	-	(2,490,870)
Balance, March 31, 2005	7,678	8,800,600	616,985	-	9,425,263
Net income for the year ended March 31, 2006	-	-	700,063	-	700,063
Dividends paid	-	-	(2,082,978)	-	(2,082,978)
Balance, March 31, 2006	<u>\$ 7,678</u>	<u>\$8,800,600</u>	<u>\$ (765,930)</u>	<u>\$ -</u>	<u>\$ 8,042,348</u>

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income	\$ 700,063	\$ 1,718,728
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	29,916	28,956
Deferred taxes	(19,793)	21,790
Decrease (increase) in receivable from brokers and dealers	279,262	910,139
Decrease (increase) in securities in firm account and investment in partnership	923,737	(1,076,965)
Decrease (increase) in other assets	(904)	(149,310)
Increase (decrease) in accounts payable and other liabilities	51,280	10,354
Increase (decrease) in securities sold but not yet purchased	(94,942)	(115,133)
Increase (decrease) in income taxes payable	(3,067)	(174,646)
Increase (decrease) in deferred compensation	(1,273)	36,893
Total adjustments	<u>1,164,216</u>	<u>(507,922)</u>
Net cash provided by (used in) operating activities	<u>1,864,279</u>	<u>1,210,806</u>
Cash flows from investing activities:		
Disposition of securities held for investment	-	1,222,135
Acquisition of property and equipment	(9,150)	(29,846)
Net cash provided by (used in) investing activities	<u>(9,150)</u>	<u>1,192,289</u>
Cash flows from financing activities:		
Dividends paid	(2,082,978)	(2,490,870)
Net cash provided by (used in) financing activities	<u>(2,082,978)</u>	<u>(2,490,870)</u>
Net increase (decrease) in cash	(227,849)	(87,775)
Cash - beginning of year	<u>368,899</u>	<u>456,674</u>
Cash - end of year	<u>\$ 141,050</u>	<u>\$ 368,899</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	<u>\$ 235,000</u>	<u>\$ 1,019,500</u>
Cash paid for interest	<u>\$ 367</u>	<u>\$ 199</u>

See accompanying notes to financial statements

MONROE SECURITIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

1. THE COMPANY

Monroe Securities, Inc. is a securities broker/dealer engaged in the purchase and sale of securities, who executes transactions and introduces them to a Clearing Broker, a New York Stock Exchange Member Firm, on a fully disclosed basis. The Company is a wholly owned subsidiary of Monroe Securities Holdings, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Income Recognition - Securities transactions are recorded on the settlement date which is not materially different from trade date accounting as required by accounting principles generally accepted in the United States of America. Commissions, dividend and interest income, and expenses are reflected in the financial statements as of the trade date.

Receivable from Brokers and Dealers - The Company has a receivable that arose from trading activity with its Clearing Broker. Losses from uncollectible receivables shall be accrued when it is probable that a receivable is impaired and the amount of the loss can be reasonably estimated. As of the date of the financial statements, management believes that neither of these conditions exist with regard to receivables and, as such, an allowance for doubtful accounts has not been established.

Securities in Firm Account - Securities in firm account consist primarily of corporate stocks and are stated at current market values as determined by management. The Company primarily transacts in securities in thinly traded markets. Accordingly, management uses various parameters to calculate market values. These estimated current market values may differ from the values that would have been used had a ready market for the securities existed. Unrealized gains and losses are included in income on securities transactions in the statement of income. Realized gains and losses are computed based on the difference between sales proceeds received and original cost.

Gains and losses on securities in firm account were as follows:

	<u>2006</u>	<u>2005</u>
Unrealized gains	<u>\$ 50,690</u>	<u>\$ 293,399</u>
Net realized gains	<u>\$3,320,109</u>	<u>\$4,646,477</u>

Property and Equipment - Property and equipment are recorded at cost. When retired or otherwise disposed of, the related cost and accumulated depreciation are cleared from the respective accounts and the net difference, less any amount realized from the disposition, is reflected in income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years.

Restricted Deposits - Restricted deposits represent the minimum balances required to be maintained in a restricted collateral account pursuant to an agreement between the Company and its Clearing Broker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Goodwill - Goodwill is not being amortized, but is tested annually as of March 31 or sooner, if deemed necessary, for potential impairment. As of March 31, 2006 and 2005, annual testing resulted in no impairment. None of the amount allocated to goodwill will be amortized for tax purposes.

Income Taxes - The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This statement requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

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.

Risks and Uncertainties - Cash is maintained in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash. The Company is also subject to credit risk through its receivable. Credit risk with respect to this receivable is minimized as certain losses are insured by SIPC and excess SIPC coverage. Investment securities are exposed to various risks, such as interest rate, market and credit risks. The credit risk is minimized as the investment securities are insured against certain losses by SIPC and excess SIPC coverage. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in these financial statements.

3. INVESTMENT IN LIMITED PARTNERSHIP

The investment in limited partnership represents an interest in Siena Capital Partners I, LP, which is not readily marketable. The partnership holds a diversified portfolio of securities, consisting primarily of bank stocks that trade in the over-the-counter markets. The limited partnership interest is stated at estimated fair value as determined by the partnership's independent advisory board. Appreciation in the partnership interest in the amount of \$130,898 and \$106,896 has been recorded for the year ended March 31, 2006 and 2005, respectively. On February 1, 2006, the Company sold its limited partnership interest for \$1,382,517 to Siena Capital Management I, LLC, the general partner and investment advisor of Siena Capital Partners I, LP, who is related to Monroe Securities, Inc. (See Note 8). The Company received \$1,050,000 in cash and Siena Capital Management I, LLC assumed a liability in the amount of \$35,620. The remaining balance of the selling price is owed to the Company. This transaction resulted in no gain or loss on the books of the Company for the year ended March 31, 2006.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2006 AND 2005

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2006	2005
Computer equipment, furniture and fixtures	\$ 94,640	\$ 86,127
Software	35,928	35,291
Leasehold improvements	3,791	3,791
	134,359	125,209
Less: Accumulated depreciation	77,098	47,182
	\$ 57,261	\$ 78,027

5. NET CAPITAL REQUIREMENTS

The Company is subject to the requirements of Rule 15c3-1, the net capital rule, under the Securities Exchange Act of 1934. On March 31, 2006, the Company had net capital of \$2,056,424 against a net capital requirement of \$1,000,000. The Company's aggregate indebtedness to net capital ratio was .1123 to 1.

6. INCOME TAXES

The provision for income taxes consists of the following:

	2006	2005
Currently payable - federal	\$ 350,721	\$ 783,939
Currently payable - state	86,286	199,153
Deferred	(19,793)	21,790
	\$ 417,214	\$1,004,882

The actual income tax provision differs from the expected tax provision computed by applying the U.S. Federal Corporate rate primarily due to state taxes and the effects of the dividends received deduction. The deferred tax expense is a result of the tax effect of depreciation, deferred compensation expense, and investment in limited partnership income differences for financial statement and tax purposes for the years ending March 31, 2006 and 2005. The Company files consolidated tax returns with its parent and records its share of the consolidated tax expense on a separate return basis.

7. EMPLOYEE BENEFITS

The Company maintains a SIMPLE-IRA Plan for its employees. Employees may defer a percentage of their compensation up to certain IRS limits. The Company's contribution to the plan is up to 3% of each participant's compensation. Employer contributions amounted to \$10,112 and \$6,928 for the years ended March 31, 2006 and 2005, respectively.

Effective April 1, 2004, the Company instituted a non-qualified Deferred Compensation Plan for key employees. The Deferred Compensation Plan is not intended to be a qualified plan under the provisions of the Internal Revenue Code. It is intended to be unfunded and, therefore, all compensation deferred under the Plan is held by the Company and commingled with its general assets. The amount charged to expense in connection with the Plan was \$36,893 for the year ended March 31, 2005. \$3,762 was paid and \$2,489 was charged to expense in connection with the Plan from April 1, 2005 through January 31, 2006. On February 1, 2006, the remaining liability of \$35,620 was assumed by Siena Capital Management I, LLC as part of the sale of the investment in the limited partnership and the Plan was terminated.

8. RELATED PARTY TRANSACTIONS

The Company rented its Chicago, Illinois office space through December 31, 2005 under an informal agreement with Ravenswood Capital Management, LLC, an entity wholly owned by two of the shareholders of Monroe Securities Holdings, Inc. Rental expense paid under this informal agreement amounted to \$44,614 and \$58,475 for the years ended March 31, 2006 and 2005, respectively.

The Company also paid consulting fees to Ravenswood Capital Management, LLC for general management. Consulting fees amounted to \$686,410 and \$734,755 for the years ended March 31, 2006 and 2005, respectively.

Monroe Securities, Inc. held a limited partnership interest in Siena Capital Partners I, LP (SCPI, LP). The general partner and investment advisor of SCPI, LP is Siena Capital Management I, LLC (SCMI, LLC). SCMI, LLC is owned by the shareholders of Monroe Securities Holdings, Inc., the parent company of Monroe Securities, Inc. SCPI, LP purchased its initial portfolio of securities from Monroe Securities, Inc. and utilizes the Company as a broker/dealer. The Company recognized \$159,872 of income during the year ending March 31, 2005 on the sale of the initial portfolio to SCPI, LP and recognized income on other security transactions with SCPI, LP during the years ending March 31, 2006 and 2005 in the amount of \$231,408 and \$66,141, respectively.

On September 1, 2005, Monroe Securities, Inc. began providing administrative services to SCPI, LP. Administrative service income from SCPI, LP totaled \$58,333 for the year ended March 31, 2006.

9. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK

As discussed in Note 1, the Company executes transactions and introduces them to a Clearing Broker on a fully disclosed basis. The Company's exposure to credit risk pursuant to securities transactions can be directly impacted by volatile trading markets. The Company's policy is to monitor its market exposure risk.

10. COMMITMENTS

The Company has a lease agreement with an unrelated party for its Rochester, New York office. Under the terms of the agreement, the Company is required to make minimum rental payments of \$1,400 per month through April, 2007.

The Company entered into a one year lease agreement with an unrelated party for its Chicago, Illinois office, beginning January 1, 2006. Under the terms of the agreement, the Company is required to make minimum rental payments of \$3,915 per month.

In connection with the acquisition of the Company, Monroe Securities Holdings, Inc. (MSHI) issued four notes payable to the sellers. Two of the notes require monthly payments in aggregate of \$50,000, including interest at a variable rate, and mature on December 31, 2013. The other two notes bear interest at a variable rate, require quarterly payments based upon the revenue of the Company and mature on December 31, 2013. It is anticipated that the quarterly payments will aggregate approximately \$173,100 and that cash disbursements from the Company to MSHI will be a source of funds to meet the debt service requirements. Acquisition indebtedness on the books of MSHI totaled \$4,489,352 and \$6,457,375 as of March 31, 2006 and 2005, respectively.

The Company does not guarantee the debt nor has it pledged any assets. However, the outstanding common stock of the Company has been pledged by MSHI as collateral in connection with the notes payable discussed above.

# SALMIN, CELONA, WEHRLE & FLAHERTY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1170 CHILI AVENUE • ROCHESTER, NY 14624-3033  
585 / 279 / 0120 • FAX 585 / 279 / 0166 • www.scwf-cpa.com

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION

To the Board of Directors and Shareholders  
Monroe Securities, Inc.

Our report on our audit of the basic financial statements of Monroe Securities, Inc. as of March 31, 2006 appears on page 1. That 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.

*Salmin, Celona, Wehrle & Flaherty, LLP*

Salmin, Celona, Wehrle & Flaherty, LLP

May 8, 2006

MONROE SECURITIES, INC.  
SCHEDULE I - COMPUTATION OF NET CAPITAL  
UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
MARCH 31, 2006

1.	Total ownership equity from Statement of Financial condition	\$ 8,042,348
2.	Deduct ownership equity not allowable for Net Capital	-
3.	Total ownership equity qualified for Net Capital	<u>8,042,348</u>
4.	Add:	
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital	-
	B. Other (deductions) or allowable credits	-
5.	Total capital and allowable subordinated liabilities	<u>8,042,348</u>
6.	Deductions and/or charges:	
	A. Total non allowable assets for Statement of Financial Condition	(5,767,960)
	B. Secured demand note deficiency	-
	C. Commodity futures contracts and spot commodities	-
	D. Other deductions and/or charges	-
7.	Other additions and/or allowable credits	-
8.	Net capital before haircuts on securities positions	2,274,388
9.	Haircuts on securities:	
	A. Contractual securities commitments	-
	B. Subordinated securities borrowings	-
	C. Trading and investment securities:	
	1. Exempted securities	-
	2. Debt securities	-
	3. Options	-
	4. Other securities	(217,964)
	D. Undue Concentration	-
	E. Other	-
10.	Net Capital	<u>\$ 2,056,424</u>

MONROE SECURITIES, INC.  
**SCHEDULE I - COMPUTATION OF NET CAPITAL**  
**UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION**  
**MARCH 31, 2006**  
(Continued)

**Computation of Basic Net Capital Requirement**

11. Minimum net capital required (6-2/3% of line 19)	<u>\$ 15,407</u>
12. Minimum dollar net capital requirement of reporting broker dealer	<u>\$ 1,000,000</u>
13. Net capital requirement (greater of line 11 or 12)	<u>\$ 1,000,000</u>
14. Excess net capital (line 10 less line 13)	<u>\$ 1,056,424</u>
15. Excess net capital at 1000% (line 10 less 10% of line 19)	<u>\$ 2,033,325</u>

**Computation of Aggregate Indebtedness**

16. Total A.I. liabilities from Statement of Financial Condition	\$ 230,992
17. Add:	
A. Drafts for immediate credit	-
B. Market value of securities borrowed for which no equivalent value is paid or credited	-
C. Other unrecorded amounts	-
18. Deduct: Adjustment based on deposits in Special Reserve Accounts	-
19. Total aggregate indebtedness	<u>\$ 230,992</u>
20. Percentage of aggregate indebtedness to net capital (Line 19 divided by line 10)	11.23%

**Statement Pursuant to Paragraph (d)(4) of Rule 17a-5**

Differences between this computation of net capital and the corresponding computation prepared by Monroe Securities, Inc. and included in the Company's unaudited Part IIA FOCUS Report filing as of the same date, consisted of the following:

Excess net capital per the Company's FOCUS Report (Unaudited)	\$ 1,071,757
Adjustments made to income and expense accounts which decreased ownership equity	<u>(15,333)</u>
Excess net capital per this computation	<u>\$ 1,056,424</u>

MONROE SECURITIES, INC.  
SCHEDULE II - COMPUTATION FOR DETERMINATION OF  
RESERVE AND INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS  
MARCH 31, 2006

**Exemption Under SEC Rule 15c3-3 Section (k)(2)(ii) Has Been Claimed**

The Company promptly transmits all funds received in connection with its activities as a broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to, customers.

# SALMIN, CELONA, WEHRLE & FLAHERTY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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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

To the Board of Directors and Shareholders  
Monroe Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Monroe Securities, Inc. (the Company) for the year ended March 31, 2006, 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 (or aggregate debits) 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 and recordation of differences required by rule 17a-13.
2. 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.
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by rule 15c3-3.

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 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 the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 March 31, 2006 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, 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.

*Salmin, Celona, Wehrle & Flaherty, LLP*

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May 8, 2006