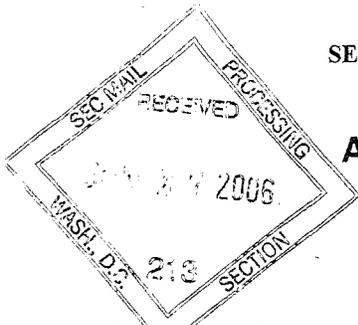




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OMB APPROVAL
OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden hours per response..... 12.00

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

SEC FILE NUMBER
8-13273

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 5/1/05 AND ENDING 4/30/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: GERBRO SECURITIES, INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

427 BEDFORD RD

(No. and Street)

PLEASANTVILLE NY

(City)

(State)

10570

(Zip Code)

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

914-741-2022

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

MICHAEL SETTLER CPA PC

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

PO BOX 307 PLEASANTVILLE NY

(Address)

(City)

(State)

10570  
(Zip Code)

CHECK ONE:

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

**PROCESSED**

B

**SEP 22 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)

CM

9/20

OATH OR AFFIRMATION

I, JAMES GERBER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GERBRO SECURITIES INC, as of APRIL 30, 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:

James Gerber 6/26/06  
Signature  
PRESIDENT  
Title

Theresa M. Cauley  
Notary Public

**TERESA MCCAULEY**  
Notary Public, State of New York  
No. 4856415  
Qualified in Westchester County  
Commission Expires July 7, 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.
- (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.

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

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

**MICHAEL S. SETTLER CPA PC**  
**PO BOX 307 PLEASANTVILLE NY**

ADDRESS

70

10570

Number and Street 71 City 72 State 73 Zip Code 74

CHECK ONE

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States or any of its possessions 77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD			
50	51	52	53			

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

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

# Form X-17A-5

# FOCUS REPORT

(Financial and Operational Combined Uniform Single Report)

## PART IIA 12

*(Please read instructions before preparing Form.)*

This report is being filed pursuant to (Check Applicable Block(s)):

- |  |  |  |
|--|--|--|
| 1) Rule 17a-5(a) <input checked="" type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">16</span>                          | 2) Rule 17a-5(b) <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">17</span> | 3) Rule 17a-11 <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">18</span> |
| 4) Special request by designated examining authority <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">19</span> | 5) Other <input type="checkbox"/> <span style="border: 1px solid black; padding: 0 5px;">26</span>         |  |

NAME OF BROKER-DEALER

GERBRO SECURITIES INC 13

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

427 BEDFORD RD 20

(No. and Street)

PLEASANTVILLE 21

NY 22

10570 23

(City)

(State)

(Zip Code)

SEC FILE NO.

8-13273 14

FIRM I.D. NO.

1989 15

FOR PERIOD BEGINNING (MM/DD/YY)

050105 24

AND ENDING (MM/DD/YY)

043006 25

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

MAX GERBER 30

(Area Code) — Telephone No.

914-741-2022 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

32

34

36

38

OFFICIAL USE

33

35

37

39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES  40 NO  41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT  42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

Manual signatures of:

- 1) \_\_\_\_\_  
Principal Executive Officer or Managing Partner
- 2) \_\_\_\_\_  
Principal Financial Officer or Partner
- 3) \_\_\_\_\_  
Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who 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.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER <span style="font-size: 1.2em; font-family: cursive;">GERBRO SECURITIES INC</span>	N3			100
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### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 4/30/06

SEC FILE NO. 8-13273

	Consolidated		99
	Unconsolidated		98
			198
			199

	Allowable	Non-Allowable		Total
1. Cash	\$ 112170		200	\$ 112170 750
2. Receivables from brokers or dealers:				
A. Clearance account	\$ 14977		295	
B. Other			300	
		\$ 550		14977 810
3. Receivable from non-customers			355	600 830
4. Securities and spot commodities owned at market value:				
A. Exempted securities			418	
B. Debt securities			419	
C. Options			420	
D. Other securities	56130		424	
E. Spot commodities			430	56130 850
5. Securities and/or other investments not readily marketable:				
A. At cost \$	130			
B. At estimated fair value		5025	610	5025 860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:				
A. Exempted securities \$	150			
B. Other securities \$	160			
7. Secured demand notes:	470		640	890
Market value of collateral:				
A. Exempted securities \$	170			
B. Other securities \$	180			
8. Memberships in exchanges:				
A. Owned, at market \$	190			
B. Owned, at cost			650	
C. Contributed for use of the company, at market value			660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480		670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490		680	920
11. Other assets	535	2000	735	2000 930
12. TOTAL ASSETS	\$ 183277	\$ 7025	540 740	\$ 190302 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

GERBRO SECURITIES INC

as of

4/30/06

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	37860 1205	1385	37860 1685
18. Notes and mortgages payable:			
A. Unsecured .....	22500 1210		22500 1690
B. Secured .....	1211	1390	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:			
1. from outsiders \$ 970		1400	1710
2. includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ 1000			
2. includes equity subordination (15c3-1(d)) of ... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 60360 1230	\$ 1450	\$ 60360 1760
<b>Ownership Equity</b>			
21. Sole Proprietorship .....			1770
22. Partnership (limited partners) .....	1020		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....			49119 1792
C. Additional paid-in capital .....			40000 1793
D. Retained earnings .....			40823 1794
E. Total .....			129942 1795
F. Less capital stock in treasury .....			1796
24. TOTAL OWNERSHIP EQUITY .....			\$ 129942 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....			\$ 190302 1810

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

GERBRO SECURITIES INC

as of

4/30/06

### COMPUTATION OF NET CAPITAL

<p>1. Total ownership equity from Statement of Financial Condition .....</p> <p>2. Deduct ownership equity not allowable for Net Capital .....</p> <p>3. Total ownership equity qualified for Net Capital .....</p> <p>4. Add:</p> <p style="padding-left: 20px;">A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....</p> <p style="padding-left: 20px;">B. Other (deductions) or allowable credits (List) .....</p> <p>5. Total capital and allowable subordinated liabilities .....</p> <p>6. Deductions and/or charges:</p> <p style="padding-left: 20px;">A. Total non-allowable assets from</p> <p style="padding-left: 40px;">Statement of Financial Condition (Notes B and C) .....</p> <p style="padding-left: 20px;">B. Secured demand note delinquency .....</p> <p style="padding-left: 20px;">C. Commodity futures contracts and spot commodities -</p> <p style="padding-left: 40px;">proprietary capital charges .....</p> <p style="padding-left: 20px;">D. Other deductions and/or charges .....</p> <p>7. Other additions and/or allowable credits (List) .....</p> <p>8. Net capital before haircuts on securities positions .....</p> <p>9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):</p> <p style="padding-left: 20px;">A. Contractual securities commitments .....</p> <p style="padding-left: 20px;">B. Subordinated securities borrowings .....</p> <p style="padding-left: 20px;">C. Trading and investment securities:</p> <p style="padding-left: 40px;">1. Exempted securities .....</p> <p style="padding-left: 40px;">2. Debt securities .....</p> <p style="padding-left: 40px;">3. Options .....</p> <p style="padding-left: 40px;">4. Other securities .....</p> <p style="padding-left: 20px;">D. Undue Concentration <math>56,130 - (129,170 \times 10\%) \times 15\%</math> .....</p> <p style="padding-left: 20px;">E. Other (List) .....</p> <p>10. Net Capital .....</p>	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%;"></td> <td style="width: 15%; border-bottom: 1px solid black;">129942</td> <td style="width: 5%; border-bottom: 1px solid black;">3480</td> </tr> <tr> <td style="text-align: center;">19</td> <td style="border-bottom: 1px solid black;">( )</td> <td style="border-bottom: 1px solid black;">3490</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="border-bottom: 1px solid black;">129942</td> <td style="border-bottom: 1px solid black;">3500</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3520</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3525</td> </tr> <tr> <td style="text-align: center;">5</td> <td style="border-bottom: 1px solid black;">129942</td> <td style="border-bottom: 1px solid black;">3530</td> </tr> <tr> <td style="text-align: center;">17</td> <td style="border-bottom: 1px solid black;">7025</td> <td style="border-bottom: 1px solid black;">3540</td> </tr> <tr> <td style="text-align: center;">18</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3590</td> </tr> <tr> <td style="text-align: center;">19</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3600</td> </tr> <tr> <td style="text-align: center;">20</td> <td style="border-bottom: 1px solid black;">7025</td> <td style="border-bottom: 1px solid black;">3620</td> </tr> <tr> <td style="text-align: center;">21</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3630</td> </tr> <tr> <td style="text-align: center;">22</td> <td style="border-bottom: 1px solid black;">122917</td> <td style="border-bottom: 1px solid black;">3640</td> </tr> <tr> <td style="text-align: center;">23</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3660</td> </tr> <tr> <td style="text-align: center;">24</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3670</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3735</td> </tr> <tr> <td style="text-align: center;">26</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3733</td> </tr> <tr> <td style="text-align: center;">27</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;">3730</td> </tr> <tr> <td style="text-align: center;">28</td> <td style="border-bottom: 1px solid black;">8420</td> <td style="border-bottom: 1px solid black;">3734</td> </tr> <tr> <td style="text-align: center;">29</td> <td style="border-bottom: 1px solid black;">6576</td> <td style="border-bottom: 1px solid black;">3650</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="border-bottom: 1px solid black;">14996</td> <td style="border-bottom: 1px solid black;">3740</td> </tr> <tr> <td style="text-align: center;">31</td> <td style="border-bottom: 1px solid black;">107921</td> <td style="border-bottom: 1px solid black;">3750</td> </tr> </table>		129942	3480	19	( )	3490	3	129942	3500	4		3520	5		3525	5	129942	3530	17	7025	3540	18		3590	19		3600	20	7025	3620	21		3630	22	122917	3640	23		3660	24		3670	25		3735	26		3733	27		3730	28	8420	3734	29	6576	3650	30	14996	3740	31	107921	3750
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OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER <b>GERBRO SECURITIES INC</b>	as of <b>4/30/06</b>
---	----------------------

### COMPUTATION OF NET CAPITAL REQUIREMENT

**Part A**

11. Minimum net capital required (6 2/3% of line 19) .....	\$	<b>4024</b>	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	<b>50000</b>	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$	<b>50000</b>	3760
14. Excess net capital (line 10 less 13) .....	\$		3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$		3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$	<b>60360</b>	3790
17. Add:			
A. Drafts for immediate credit .....	\$	<b>3800</b>	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$	<b>3810</b>	
C. Other unrecorded amounts (List) .....	\$	<b>3820</b>	
18. Total aggregate indebtedness .....	\$	<b>60360</b>	3830
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	%	<b>55.93</b>	3840
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%		3850

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

**Part B**

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$		3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$		3880
23. Net capital requirement (greater of line 21 or 22) .....	\$		3760
24. Excess capital (line 10 less 23) .....	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000 .....	\$		3920

**NOTES:**

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  - 1. Minimum dollar net capital requirement, or
  - 2. 6 2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER **GERBRO SECURITIES INC**

For the period (MMDDYY) from 5/1/05 3932 to 4/30/06 3933  
 Number of months included in this statement 12 3931

### STATEMENT OF INCOME (LOSS)

#### REVENUE

1. Commissions:			
a. Commissions on transactions in exchange listed equity securities executed on an exchange .....	\$	60172	3935
b. Commissions on listed option transactions .....		71673	3938
c. All other securities commissions .....		51384	3939
d. Total securities commissions .....		183229	3940
2. Gains or losses on firm securities trading accounts			
a. From market making in options on a national securities exchange .....			3945
b. From all other trading .....			3949
c. Total gain (loss) .....			3950
3. Gains or losses on firm securities investment accounts .....			3952
4. Profit (loss) from underwriting and selling groups .....			3955
5. Revenue from sale of investment company shares .....		47085	3970
6. Commodities revenue .....			3990
7. Fees for account supervision, investment advisory and administrative services .....			3975
8. Other revenue <i>(INT. INCOME 15,109, UNREALIZED GAIN ON SEC. AVAIL FOR SALE 28,605)</i> .....		43714	3995
9. Total revenue .....	\$	274028	4030

#### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers .....		115000	4120
11. Other employee compensation and benefits .....		18000	4115
12. Commissions paid to other broker-dealers .....			4140
13. Interest expense .....		956	4075
a. Includes interest on accounts subject to subordination agreements .....		4070	
14. Regulatory fees and expenses .....		3110	4195
15. Other expenses .....		108066	4100
16. Total expenses .....	\$	245132	4200

#### NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) .....		28896	4210
18. Provision for Federal income taxes (for parent only) .....		44	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above .....			4222
a. After Federal income taxes of .....		4338	
20. Extraordinary gains (losses) .....			4224
a. After Federal income taxes of .....		4239	
21. Cumulative effect of changes in accounting principles .....			4225
22. Net income (loss) after Federal income taxes and extraordinary items .....	\$	28852	4230

#### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items .....			4211
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

GERBRO SECURITIES INC

For the period (MMDDYY) from 5/10/05 to 4/30/06

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$	<u>11971</u>	4240
A. Net income (loss) .....		<u>28852</u>	4250
B. Additions (Includes non-conforming capital of .....	29 \$	4262	4260
C. Deductions (Includes non-conforming capital of .....	\$	4272	4270
2. Balance, end of period (From item 1800) .....	\$	<u>40823</u>	4290

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	30 \$	4300	4310
A. Increases .....		4310	4320
B. Decreases .....		4320	4330
4. Balance, end of period (From item 3520) .....	\$	4330	4330

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER GERBRO SECURITIES INC as of 4/30/06

### EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- |   |              |
|---|--------------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....   | 4550         |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....  | 4560         |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.<br>Name of clearing firm <sup>30</sup> <u>N.F. CLEARING</u> <span style="float: right; border: 1px solid black; padding: 2px;">4335</span> | 8-26740 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....  | 4580         |

### Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31	4600	4601	4602	4603	4604 4605
32	4610	4611	4612	4613	4614 4615
33	4620	4621	4622	4623	4624 4625
34	4630	4631	4632	4633	4634 4635
35	4640	4641	4642	4643	4644 4645
Total \$ <sup>36</sup>				4699	

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

<b>WITHDRAWAL CODE:</b>	<b>DESCRIPTIONS</b>
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

# **MICHAEL S. SETTLER, CPA, PC**

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*Certified Public Accountants*

**PO BOX 307**

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*Michael S. Settler, CPA*

*Stephen Bortniker, CPA*

*Edward Zajackowski, CPA*

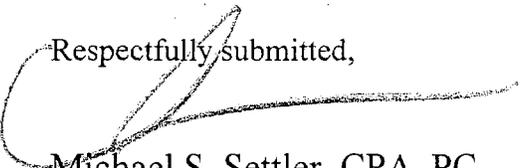
June 21, 2006

Mr. James Gerber  
Gerbro Securities, Inc.  
427 Bedford Road  
Pleasantville, NY 10570

Gentlemen:

- 1) We have reviewed the computation of Net Capital and the corresponding Focus Part IIA and find no material differences exist.
- 2) We have found no material inadequacies to exist in the firms Accounting System, Internal Controls or methods for safeguarding securities.

Respectfully submitted,



Michael S. Settler, CPA, PC

*Gerbro Securities, Inc.*  
*Financial Statements*  
*April 30, 2006*

**MICHAEL S. SETTLER, C.P.A., P.C.**

*Certified Public Accountants*

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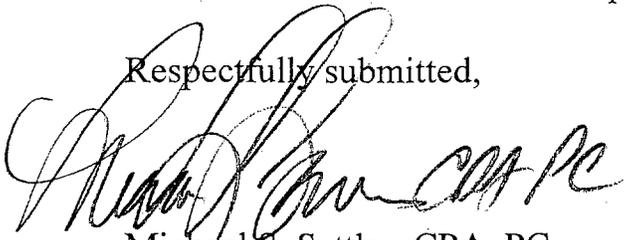
Gerbro Securities, Inc.  
427 Bedford Road Suite 270  
Pleasantville, NY 10570

Gentlemen:

We have examined the answers to the Financial Questionnaire of Gerbro Securities, Inc. as of April 30, 2006. Our examination was made in accordance with generally accepted auditing standards and accordingly, included a review of the system of internal control and the procedures as we considered necessary in the circumstances, including the audit procedures by the Securities and Exchange Commission.

In our opinion, the accompanying answers to the Financial Questionnaire presents fairly the financial position of Gerbro Securities, Inc. as of April 30, 2006, in the form required by the Securities and Exchange Commission, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,



Michael S. Settler, CPA, PC

June 15, 2006

Gerbro Securities, Inc.  
Balance Sheet  
For The Year Then Ended April 30, 2006

Assets

Current assets

Cash in banks	\$ 61,423
Commission & other receivables	14,977
Cash equivalents	<u>50,747</u>

Total current assets 127,147

Fixed assets

Furniture & Computers	22,564
Less: Depreciation	<u>22,564</u>

Total net fixed assets 0

Other assets

Investments	61,155
Security deposits	<u>2,000</u>

Total other assets 63,155

Total assets \$ 190,302

Liabilities & Equity

Current liabilities

Taxes payable	\$ 589
Accrued expenses	37,271
Loan payable	<u>22,500</u>

Total liabilities 60,360

Equity

Capital stock	49,119
Additional paid in capital	40,000
Unrealized gains on securities available for sale	28,605
Retained earnings	<u>12,218</u>

Total stockholders equity 129,942

Total liabilities & equity \$ 190,302

Income Statement  
For The Year Then Ended April 30, 2006

Commission Income	\$ 227,204
Expenses:	
Salaries & wages	133,000
Rent expense	17,301
Payroll tax expense	9,151
Quotron fees	13,088
Pension	33,250
Commissions paid	5,672
Dues, registrations & exchange fees	6,562
Legal & accounting fees	2,330
Office, postage & general expenses	1,020
Outside services	7,503
Supplies	3,448
Subscriptions and publications	1,659
Telephone and fax fees	3,445
Interest	956
Utilities	1,867
Insurance	1,509
Total expenses	<u>241,761</u>
Income/(Loss) from operations	(14,557)
Add: Interest income	15,109
Less: Provision for corporate taxes	<u>(305)</u>
Net Income/(Loss)	<u><u>\$ 247</u></u>

Gerbro Securities, Inc.  
Statement of Cash Flows  
For The Year Then Ended April 30, 2006

Cash flows from operating activities

Net income for period	\$ 247
Adjustment to reconcile net income to cash:	
Depreciation	0
Changes in operating assets & liabilities:	
Provided by operating activities:	
Decrease in commission receivable	2,599
Decrease in taxes receivable	73
Increase in refund receivable	(171)
Increase in taxes payable	113
Decrease in accrued expenses	<u>(6,634)</u>
Net cash provided from operating activities	<u>(3,773)</u>
Cash flow from investing activities:	
Net Increase in Investments	(22,500)
Net Increase in Shareholder Loans	22,500
Net increase/(decrease) in cash	(3,773)
Add: cash beginning of year	<u>115,943</u>
Cash at end of year	<u><u>\$112,170</u></u>

Gerbro Securities, Inc.  
Statement of Retained Earnings  
For The Year Then Ended April 30, 2006

Beginning Retained Earnings	\$11,971
Add: net income/ (loss)	<u>247</u>
Ending Retained Earnings	<u>\$ 12,218</u>

Schedule of Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1  
For The Year Then Ended April 30, 2006

Total Stockholders equity	\$129,942
Deductions and/or charges	
Non allowable assets	<u>7,025</u>
Net Capital before haircuts on securities positions	122,917
Haircuts on securities	<u>14,996</u>
Net Capital	107,921
Less: Minimum capital requirements	<u>50,000</u>
Excess net capital	<u><u>\$ 57,921</u></u>

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

Accrued expenses, short term loan payable and accounts payable	<u><u>\$ 60,360</u></u>
Aggregate indebtedness	<u><u>\$ 60,360</u></u>
Ratio of aggregate indebtedness to net capital	<u><u>0.56:1.0</u></u>

Gerbro Securities, Inc.  
Notes to the Financial Statements  
For The Year Then Ended April 30, 2006

1. Organization and Business Activity

Gerbro Securities, Inc. was incorporated in the State of New York in June of 1967 and is engaged in business as an introducing broker/dealer in Pleasantville, New York.

2. Summary of Significant Accounting Policies

*Revenue Recognition and Commissions Receivable*

Commission income on customers' securities transactions is recorded on a settlement date basis, generally the third business day following the transaction date. The clearing broker settles the total amount of commissions by the 15<sup>th</sup> day of the following month. The amount due is recorded as commissions receivable.

*Clearing Transactions*

The Company transmits all transactions through a clearing broker who maintains the customers' accounts.

*Cash and Cash Equivalents*

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

*Use of Estimates in Financial Statements*

In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Gerbro Securities, Inc.  
Notes to the Financial Statements  
For The Year Then Ended April 30, 2006

3: Net Capital Requirement

The Company is subject to the net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires that a broker-dealer's aggregate indebtedness, as defined, shall not exceed 15 times net capital, as defined. At April 30, 2006, the Company's net capital ratio was .5593 to 1, and its net capital was \$ 107,921 as compared to the required net capital \$50,000.

4. Operating Lease

The Company occupies office space under a lease agreement that expires on January 31, 2007. Aggregate future minimum annual rental payments under the lease agreement are as follows:

	<u>Total Rent</u>
2006	17,301
2007	1,370

Rent expense, including escalation charges for the year ended April 30, 2006 amounted to \$17,301.

5. Profit Sharing Plan

The Company has a profit sharing plan covering all eligible employees. Contributions to the plan are at the discretion of the Company's Board of Directors. For the year ended April 30, 2006, the Company contributed \$33,250 to the plan.

6. Supplemental Disclosures of Cash Flow Information

Cash paid during the year for income taxes was \$ 305.00.

# **MICHAEL S. SETTLER, CPA, PC**

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## **Independent Auditor's Report on Internal Control**

Officers and Directors

Gerbro Securities Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Gerbro Securities Inc. (the Company) for the year ended April 30, 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 the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the Commission), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we consider 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 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 do not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly security examinations, counts, verifications, and comparisons;
2. Recordation of differences 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 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 internal control 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 internal control and the practices and procedures are to provide management

Officers and Directors  
Gerbro Securities Inc.

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 authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles. 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 practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of them to 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.

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 the specific internal control 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, we noted no matters involving internal control that we consider to be a material weakness as defined above.

We understand that practices and procedures that accomplish their objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at April 30, 2006 to meet the Commission's objectives. Also, we believe that the Company was in compliance with the conditions of the exemption at April 30, 2006, and no facts came to our attention that caused us to believe that such conditions had not been complied with during the year then ended.

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



Pleasantville, New York  
June 21, 2006