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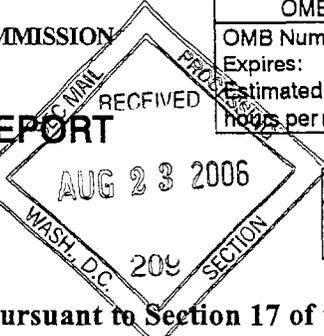


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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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



SEC FILE NUMBER
8- 21825

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 July 1, 2005 AND ENDING June 30, 2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Recom Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

619 Marquette Avenue South, Suite 142
(No. and Street)

Minneapolis MN 55402
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Merle Levitt 612-339-5566
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lehrman, Flom & Co., P.L.L.P.
(Name - if individual, state last, first, middle name)

600 Highway 169 South, Suite 820 Minneapolis, MN 55426
(Address) (City) (State) (Code)

CHECK ONE:

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

PROCESSED
SEP 21 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)

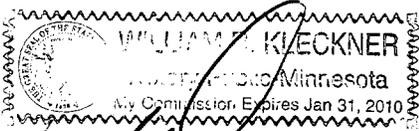
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BB

OATH OR AFFIRMATION

I, Merle Levitt, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Recom Securities, Inc., as of June 30, 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:



[Signature]
Notary Public

[Signature]
Signature
President
Title

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

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of ~~Changes in Financial Condition~~ Cash Flows
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control

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

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Condition	2
Statements of Income	3
Statements of Changes in Shareholder's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6 – 8
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17A-5 OF THE SECURITIES AND EXCHANGE COMMISSION	9
SUPPLEMENTARY INFORMATION	
Computations Pursuant to Rule 15c3-1	10
Computation for Determination of Reserve Requirements Under Rule 15c3-3	11



Lehrman, Flom & Co., P.L.L.P.

Certified Public Accountants & Consultants

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Nancy S. Lehrman, CPA

Arthur B. Summerfield, CPA
(1938-2005)
Morris Lehrman, CPA
(1921-2002)

Independent Auditors' Report

The Board of Directors
Recom Securities, Inc.
619 Marquette Avenue South - Suite 142
Minneapolis, Minnesota 55402

We have audited the accompanying statements of financial condition of Recom Securities, Inc. (a Minnesota corporation) as of June 30, 2006 and 2005, and the related statements of income, changes in shareholder's 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 Recom Securities, Inc. at June 30, 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.

Lehrman, Flom & Co., P.L.L.P.

July 25, 2006

RECOM SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 148,038	\$ 126,209
Receivable from clearing organization	44,406	48,235
Loan receivable - officer	275,000	240,000
Marketable securities owned	27,600	12,000
Property and equipment, at cost, less accumulated depreciation of \$46,168, both years	-	-
Other assets	400	520
	<u>\$ 495,444</u>	<u>\$ 426,964</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Accounts payable and accrued expenses	\$ 10,748	\$ 12,019
Loan payable - officer	32,000	-
Total liabilities	<u>42,748</u>	<u>12,019</u>
Common stock, par value \$.10 per share		
Authorized 25,000 shares		
Issued and outstanding 2,000 shares	200	200
Additional paid-in capital	19,800	19,800
Retained earnings	432,696	394,945
Total shareholder's equity	<u>452,696</u>	<u>414,945</u>
	<u>\$ 495,444</u>	<u>\$ 426,964</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF INCOME
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUES		
Commissions & principal transactions	\$ 955,052	\$ 974,429
Interest	264,582	282,993
	<u>1,219,634</u>	<u>1,257,422</u>
EXPENSES		
Employee compensation and benefits	495,368	420,115
Clearing costs	269,334	355,924
Occupancy and equipment rental	159,042	187,554
Taxes, other than income taxes	33,796	30,219
Other operating expenses	216,506	249,913
	<u>1,174,046</u>	<u>1,243,725</u>
INCOME BEFORE INCOME TAXES	45,588	13,697
Income taxes	<u>7,837</u>	<u>2,919</u>
NET INCOME	<u>\$ 37,751</u>	<u>\$ 10,778</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

Years Ended June 30, 2006 and 2005

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Totals</u>
Balances at June 30, 2004	\$ 200	\$ 19,800	\$ 384,167	\$ 404,167
Net income - 2005	<u>-</u>	<u>-</u>	<u>10,778</u>	<u>10,778</u>
Balances at June 30, 2005	200	19,800	394,945	414,945
Net income - 2006	<u>-</u>	<u>-</u>	<u>37,751</u>	<u>37,751</u>
Balances at June 30, 2006	<u>\$ 200</u>	<u>\$ 19,800</u>	<u>\$ 432,696</u>	<u>\$ 452,696</u>

See accompanying notes

RECOM SECURITIES, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 37,751	\$ 10,778
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Change in assets and liabilities		
Receivable from clearing organization	3,829	(7,888)
Marketable securities owned	(15,600)	(4,500)
Other assets	120	(93)
Accounts payable and accrued expenses	(1,271)	(9,497)
Net cash provided by (used in) operating activities	24,829	(11,200)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in loan receivable - officer	(35,000)	(1,483)
Net increase in loan payable - officer	32,000	-
Net cash used in financing activities	(3,000)	(1,483)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,829	(12,683)
Cash and cash equivalents, beginning	126,209	138,892
CASH AND CASH EQUIVALENTS, ENDING	\$ 148,038	\$ 126,209

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the year for		
Income taxes	\$ 5,808	\$ 496
Interest	7,140	6,450

See accompanying notes

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The Company is a discount commission broker-dealer registered with the Securities and Exchange Commission. Its business consists primarily of soliciting and servicing customer accounts which are introduced on a fully disclosed basis to a carrying broker-dealer. The Company does not carry customer accounts or effect transactions on a principal basis. Income is derived primarily from commissions on introduced business. The Company has offices in Minneapolis, Minnesota and Chicago, Illinois and is licensed to operate in all states and Washington, D.C.

Marketable Securities Owned: Marketable securities are valued at market value, except for those securities that are not readily marketable, which are valued at fair value as determined by management.

Commission Income and Clearing Costs: Commission income and related clearing expenses are recorded on a trade date basis as securities transactions occur.

Advertising Costs: The Company does not engage in direct-response advertising. All advertising costs are charged to operations as incurred and were \$20,829 and \$35,039 for the years ended June 30, 2006 and 2005, respectively.

Depreciation: The Company records depreciation of equipment by use of accelerated methods of computation.

Statements of Cash Flows: For purposes of the statements of cash flows, the Company considers liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Use of Estimates: 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.

2. LOANS RECEIVABLE/PAYABLE – OFFICERS

Loan receivable is non-interest bearing and loan payable bears interest at 12%.

3. RETIREMENT PLAN

The Company has a defined contribution profit sharing plan covering all full-time employees of the Company who have completed one year of service and are age 21 or older. Contributions to the Plan are determined each year by the Board of Directors. For the years ended June 30, 2006 and 2005 contributions were \$-0-.

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. COMMITMENTS

The Company leases office space on a month to month basis that provides for basic monthly rentals plus operating costs and real estate taxes. In addition, the Company has various operating leases for office equipment. Rentals under all agreements amounted to \$159,042 and \$187,554 for the years ended June 30, 2006 and 2005, respectively.

5. NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At June 30, 2006, the Company had net capital of \$149,696 which was \$49,696 in excess of its required net capital of \$100,000. The Company's net capital ratio was .29 to 1.

6. INCOME TAXES

The provision for income taxes consists of the following:

	June 30	
	2006	2005
Current		
Federal	\$ 7,507	\$ 2,634
States	4,549	1,796
Realized tax benefit due to net operating loss carryover	(4,219)	(1,511)
	<u>\$ 7,837</u>	<u>\$ 2,919</u>

In prior years the Company incurred net operating losses that were available for carryforward to future years. Due to the uncertainty as to the use of these carryforwards, an income tax benefit was not recorded as a deferred tax asset since it was totally offset by a valuation allowance.

At June 30, 2006, net operating losses for Illinois and Minnesota in the amounts of \$23,500 and \$158,000, respectively, are available for carryforward to offset future taxable income. These carryovers expire between the years ending June 30, 2017 and 2023. The deferred tax benefit of these losses is \$17,200.

RECOM SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS (CONCLUDED)

7. CONCENTRATION OF CREDIT RISK

The Company maintains its cash accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits of \$100,000 per account.

8. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, the Company's activities primarily involve executions, settlement and financing of various securities transactions through a clearing organization. This may expose the Company to risk in the event the clearing organization is unable to fulfill its contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers are unable to fulfill contractual obligations within three business days after trade date.

* * * * *



Lehrman, Flom & Co., P.L.L.P.

Certified Public Accountants & Consultants

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Nancy S. Lehrman, CPA

Arthur B. Summerfield, CPA
(1938-2005)

Independent Auditors' Report on Supplementary Information
Required by Rule 17a-5 of the Securities and Exchange Commission

Morris Lehrman, CPA
(1921-2002)

The Board of Directors
Recom Securities, Inc.
619 Marquette Avenue South - Suite 142
Minneapolis, Minnesota 55402

We have audited the accompanying financial statements of Recom Securities, Inc. as of and for the years ended June 30, 2006 and 2005 and have issued our report thereon dated July 25, 2006. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying pages 10 and 11 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 audits 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.

Lehrman, Flom & Co., P.L.L.P.

July 25, 2006

RECOM SECURITIES, INC.

COMPUTATIONS PURSUANT TO RULE 15c3-1

June 30, 2006

NET CAPITAL

Total shareholder's equity qualified for net capital	\$ 452,696
Deductions and/or charges	
Non-allowable assets	
Loan receivable - officer	275,000
Other assets	400
	<hr/>
Net capital before haircuts on securities positions (tentative net capital)	177,296
Haircuts on trading and investment securities	
Marketable securities	27,600
	<hr/>
Net capital	<u><u>\$ 149,696</u></u>

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition	
Accounts payable and accrued expenses	\$ 42,748
	<hr/>
Total aggregate indebtedness	<u><u>\$ 42,748</u></u>
Ratio: Aggregate indebtedness to net capital	<u><u>.29 to 1</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required	<u><u>\$ 2,850</u></u>
Minimum dollar net capital requirement of reporting broker or dealer	<u><u>\$ 100,000</u></u>
Excess net capital	<u><u>\$ 49,696</u></u>
Excess net capital at 1000%	<u><u>\$ 145,421</u></u>

RECONCILIATION WITH COMPANY'S COMPUTATION

(Included in Part II of Form X-17a-5 as of June 30, 2006)

Net capital, as reported in Company's Part II (unaudited) FOCUS report	\$ 148,432
Audit adjustment - income taxes accrued	(1,264)
	<hr/>
Net capital, per above	<u><u>\$ 149,696</u></u>

RECOM SECURITIES, INC.

**COMPUTATION FOR DETERMINATION OF RESERVE
REQUIREMENTS UNDER RULE 15c3-3**

June 30, 2006

Recom Securites, Inc. is exempt from the requirement under rule 15c3-3k(s)(B) as follows:

All customer transactions are cleared through another broker-dealer on a fully disclosed basis. The clearing firm is ADP Clearing & Outsourcing Services, Inc.



**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

ANNUAL AUDITED REPORT

**RECOM SECURITIES, INC.
Years Ended June 30, 2006 and 2005**



**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.**

**REPORT ON
INTERNAL CONTROL**

**RECOM SECURITIES, INC.
Year Ended June 30, 2006**



Lehrman, Flom & Co., P.L.L.P.

Certified Public Accountants & Consultants

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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**

Board of Directors
Recom Securities, Inc.
Minneapolis, Minnesota

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

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons 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 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 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 June 30, 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, 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.

Rehrman, Alton & Co., P.L.L.P.

July 25, 2006