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

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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 07/01/05 AND ENDING 06/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: CONNERS & CO., INC.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

36 E. FOURTH STREET, SUITE 1300

(No. and Street)

CINCINNATI

(City)

OHIO

(State)

45202

(Zip Code)

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

JOHN A. CONNERS

(513) 421-0606

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ANDREW, LITTNER LLC.

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

2368 VICTORY PARKWAY, SUITE 100, CINCINNATI, OHIO 45206

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

SEP 11 2006

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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SEC 1410 (06-02)

Handwritten initials: AB

OATH OR AFFIRMATION

I, JOHN A. CONNERS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of CONNERS & CO., INC., as of JUNE 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:

NO EXCEPTIONS

John Conners

Signature

CHIEF FINANCIAL OFFICER

Title

B. H. G.
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.

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

CONNERS & CO., INC.

YEAR ENDED JUNE 30, 2006

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ANDREW, LITTNER LLC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Conners & Co., Inc.
Cincinnati, Ohio

We have audited the accompanying statement of financial condition of Conners & Co., Inc. as of June 30, 2006 and the related statements of income, changes in stockholders equity, changes in liabilities subordinated to claims of general creditors and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conners & Co., Inc. as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Pages 9, 10, 11, and 12 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 of the Securities and Exchange Commission. 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.

Andrew, Littner LLC
Certified Public Accountants

Cincinnati, Ohio
August 22, 2006

CONNERS & CO., INC.
STATEMENT OF FINANCIAL CONDITION
JUNE 30, 2006

ASSETS

Cash and cash equivalents	\$	672,166
Cash segregated in compliance with regulations		<u>11,191</u>
Total		683,357
Deposits with clearing organizations and other		167,972
Receivable from brokers		32,056
Receivable from customers		<u>1,011</u>
Total		33,067
Securities owned, at market value:		
Marketable		194,233
Other investments		<u>78,450</u>
Total		272,683
Deferred tax asset; net of valuation allowance		31,031
Furniture and equipment, net of accumulated depreciation		18,059
Other assets		<u>11,331</u>
Total assets	\$	<u><u>1,217,500</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Accrued expenses	\$	<u>27,192</u>
Total liabilities		27,192

STOCKHOLDERS' EQUITY

Common stock, no par value, 14,735 authorized, 6,931 issued and outstanding		798,200
Retained earnings		<u>392,108</u>
Total stockholders' equity		<u>1,190,308</u>

Total liabilities and stockholders' equity	\$	<u><u>1,217,500</u></u>
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The accompanying notes are an integral part of this financial statement.

CONNERS & CO., INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED JUNE 30, 2006

REVENUE

Commissions:		
On transactions in exchange listed securities executed over-the-counter	\$ 199,015	
All other security commissions	<u>426,693</u>	
Total		\$ 625,708
Gains on firm securities trading accounts		
From market making in over-the-counter equity securities	320	
From trading in debt securities	<u>1,067</u>	
Total		1,387
Profits from underwriting and selling groups		85,452
Other revenue related to securities business		<u>498</u>
Total revenues		713,045

EXPENSES

Registered representatives compensation	58,052	
Employee compensation and benefits	215,800	
Clearance paid to non-brokers	18,105	
Communications	77,279	
Occupancy and equipment costs	51,469	
Promotional costs	35,536	
Regulatory fees and expenses	10,752	
Other expenses	<u>303,714</u>	
Total expenses		<u>770,707</u>
Income/(loss) from operations		(57,662)
Gain/(loss) from NASDAQ stock transactions		<u>29,928</u>
Net/(loss) before income tax benefit		(27,734)
Income tax benefit		<u>...</u>
Net income/(loss)		<u>\$ (27,734)</u>

The accompanying notes are an integral part of this financial statement.

CONNERS & CO., INC.
STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEAR ENDED JUNE 30, 2006

	Common Stock	Retained Earnings	Total Stockholders Equity
Balances at July 1, 2005	\$ 798,200	\$ 419,842	\$ 1,218,042
Net income/(loss)	_____	_____ (27,734)	_____ (27,734)
Balances at June 30, 2006	<u>\$ 798,200</u>	<u>\$ 392,108</u>	<u>\$ 1,190,308</u>

The accompanying notes are an integral part of this financial statement.

CONNERS & CO., INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Net income		\$ (27,734)
Adjustments to reconcile net income(loss) to net cash provided (used) by operations		
Depreciation and amortization	\$ 13,186	
(Gain) on NASDAQ stock held for investment	(29,928)	
(Increase) decrease in:		
Deposits with clearing organizations and others	113,382	
Receivable from brokers and dealers	(32,056)	
Receivable from customers	1,558	
Refundable federal income tax	8,782	
Marketable securities owned	(193,936)	
Other assets	(182)	
Increase (decrease) in:		
Accounts payable, accrued expenses and other liabilities	<u>23,857</u>	
		<u>(95,337)</u>
Net cash provided (required) by operating activities		(123,071)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investment securities		<u>(25,890)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(148,961)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>832,318</u>
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CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 683,357</u>
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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Interest paid		<u>\$...</u>
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Income taxes paid		<u>\$...</u>
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The accompanying notes are an integral part of this financial statement.

CONNERS & CO., INC.
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

Note A Summary of Significant Accounting Policies

Connors & Co., Inc. is primarily in the business of underwriting, brokerage, and trading of municipal bonds and related advisory services and its business is concentrated in the Cincinnati, Ohio metropolitan area. It is the Company's policy to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A brief description of the significant accounting policies applied by the Company in the preparation of the accompanying financial statements is as follows:

Method of accounting. The financial statements are prepared on the accrual method of accounting. The Company is a "Full Disclosure" broker. Under the "Full Disclosure" broker method of executing customer trades, Connors & Co., Inc. continues to accept customer orders but has elected to clear the orders through another broker (the Clearing Broker) for cost efficiencies. The clearing broker processes and settles the customer transactions for Connors & Co., Inc. and maintains the detailed customer records. Connors & Co., Inc. records the revenues received from these transactions and expenses paid to the clearing broker on an end of the calendar month basis according to an agreement between Connors & Co., Inc. and the clearing broker.

Cash and Cash Equivalents. Cash and cash equivalents consists of cash on hand and bank demand deposits.

Furniture and equipment and depreciation. Furniture and equipment are stated at cost and are being depreciated over estimated useful lives of five to ten years, using accelerated methods. Depreciation expense for the year ended June 30, 2006 was \$18,059.

Depreciable assets consist of:

Furniture and equipment	\$ 194,233
Accumulated depreciation	<u>176,174</u>
Furniture and equipment, net of accumulated depreciation	<u>\$ 18,059</u>

Securities valuation. Securities owned by the Company are carried at market value, or, in the absence of a quoted market value, at a fair value as determined by Company management. Unrealized gains and losses are included in the results of operations.

Marketable securities owned at June 30, 2006 are as follows:

	Market Value
Municipal securities	\$ 83,033
Corporate stocks	<u>111,200</u>
	<u>\$ 194,233</u>
Other investments (not readily marketable)	<u>\$ 78,450</u>

CONNERS & CO., INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

Note B SEC Rule 15c3-3

Connors & Co., Inc. is subject to the full provisions of SEC Rule 15c3-3, the Customer Protection Rule. Pursuant to a computation dated June 30, 2006, the Company was not required to make a deposit into the Special Reserve Bank Account that was established for this purpose. At June 30, 2006, the special reserve bank account had a balance of \$11,191.

Note C Net Capital Requirements

Pursuant to net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions and rules. Net capital may fluctuate on a daily basis. At June 30, 2006, the Company has net capital of \$1,051,010 calculated under Rule 15c3-1 which was \$801,010, in excess of the requirements of the Securities and Exchange Commission. Failure to maintain a minimum net capital may result in suspension or expulsion of the Company by the Securities and Exchange Commission.

Note D Lease Commitments

The Company currently leases its office under a one-year extension of operating leases that commenced January 1, 1996 and expired December 31, 2003. The Company has exercised options to further this lease for terms of one year each. A one-year option to extend the lease until December 31, 2006 was exercised. The minimum annual rental is \$40,460 subject to certain concessions and increases based on costs. Rental expense, including utilities, charged to operations for the year ended June 30, 2006 was \$45,483.

Note E Capital Stock Restrictions

The Company and its shareholders have entered into an agreement which defines the rights and obligations of the shareholders with respect to the encumbering and disposition of the Company's capital stock. The agreement sets forth the method of establishing the price to be paid and the terms of payment by the Company.

Note F Profit-Sharing Plan

The Company has a qualified profit-sharing plan covering all employees meeting certain conditions; contributions to the plan are determined annually by the Board of Directors. An employee earns a vested interest in the plan after completing two full years of employment. No contribution was made to the plan in the year ended June 30, 2006.

Note G Deferred Tax Asset

The deferred tax asset is based upon the current year operating loss and net operating loss carryforwards from prior years as adjusted for income relating to non-taxable bond interest, the dividend received deduction and certain non-deductible expenses. However, a deferred tax asset was recorded for the future benefit of net operating loss carryforwards due to expire in 2026. Due to the operations of the Company, a valuation allowance has been recorded as of June 30, 2006.

Deferred tax asset:	
Net operating loss carryforwards	\$ 77,577
Deferred tax valuation	<u>46,546</u>
Net deferred tax asset	<u>\$ 31,031</u>

No income tax benefit has been recorded for the current year net operating loss as any benefit would be offset by a corresponding increase in the deferred tax valuation.

CONNERS & CO., INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2006

Note H Concentration of Credit

Substantially all cash is deposited with federally insured financial institutions within the Cincinnati, Ohio area. The amount of deposit at anyone time may exceed federally insured limits. At June 30, 2006, the amount was in excess of the federally insured limit by approximately \$625,125. In addition, the Company had \$6,690 in an uninsured money market fund.

Note I Commitments and Contingencies

In the normal course of business, the Company enters into underwriting commitments. As of June 30, 2006 there were no open transactions related to such underwriting commitments.

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SUPPLEMENTARY INFORMATION

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CONNERS & CO., INC.
SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2006

COMPUTATION OF BASIC NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

Total stockholders equity from statement of financial condition		\$	1,190,308
Deduct shareholders equity not allowable for net capital			_____
Total stockholders equity qualified for net capital			1,190,308
Add			
Liabilities subordinated to claims of general creditors			_____
Total capital and allowable subordinated liabilities			1,190,308
Deductions and/or charges			
Non allowable assets			
Furniture and equipment	\$	18,059	
Deferred tax asset; net of valuation allowance		31,031	
Other investments		78,450	
Prepaid expenses		11,758	

			139,298
Net capital		\$	<u>1,051,010</u>

CONNERS & CO., INC.
 SUPPLEMENTARY INFORMATION
 AS OF JUNE 30, 2006

COMPUTATION OF BASIC NET CAPITAL UNDER RULE 15c3-1
 OF THE SECURITIES AND EXCHANGE COMMISSION (CONTINUED)

AGGREGATE INDEBTEDNESS

Items included in statement of financial condition

Accounts payable and accrued expenses	\$	27,192
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COMPUTATION OF BASIC NET CAPITAL REQUIREMENTS

Minimum net capital required	\$	<u>1,813</u>
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Minimum dollar net capital requirement	\$	<u>250,000</u>
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Excess net capital	\$	<u>801,010</u>
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Excess net capital at 1000%	\$	<u>1,048,291</u>
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Percentage of aggregate indebtedness to net capital		<u>3%</u>
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RECONCILIATION WITH COMPANY'S COMPUTATION

Net capital per unaudited broker dealer computation	\$	1,041,761
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Net (increase)/decrease in non-allowable assets		(35,742)
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Net (increase)/decrease in haircuts		17,275
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Net adjustments to accounts payable and accrued expenses		<u>27,716</u>
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Net capital per audited financial statements	\$	<u>1,051,010</u>
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CONNERS & CO., INC.
 SUPPLEMENTARY INFORMATION
 AS OF JUNE 30, 2006

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

CREDIT BALANCES

Free credit balances and other credit		
balances in customers security accounts	\$...
Customers securities failed to receive		...
Credit balances in firm accounts which are		
attributable to principal sales to customers		...
		<hr/>
Total credits	\$	<hr/> <hr/>

DEBIT BALANCES

Debit balances in customers cash accounts		
excluding unsecured accounts and accounts		
doubtful of collection net of deductions		
pursuant to Rule 15c3-3	\$...
Failed to deliver of customers securities		
not older than 30 days		...
		<hr/>
Total 15c3-3 debits	\$	<hr/> <hr/>

RESERVE COMPUTATION

Excess of total debits over total credits		
	\$	<hr/> <hr/>
Required deposit	\$	<hr/> <hr/>
Amount held on deposit in "Reserve Bank Account"		<hr/> 11,191
Excess deposit	\$	<hr/> 11,191

RECONCILIATION

There were no material differences between the Company's report reserve computation on the Focus Report of June 30, 2005 and the above computation.

CONNERS & CO., INC.
SUPPLEMENTARY INFORMATION
AS OF JUNE 30, 2006

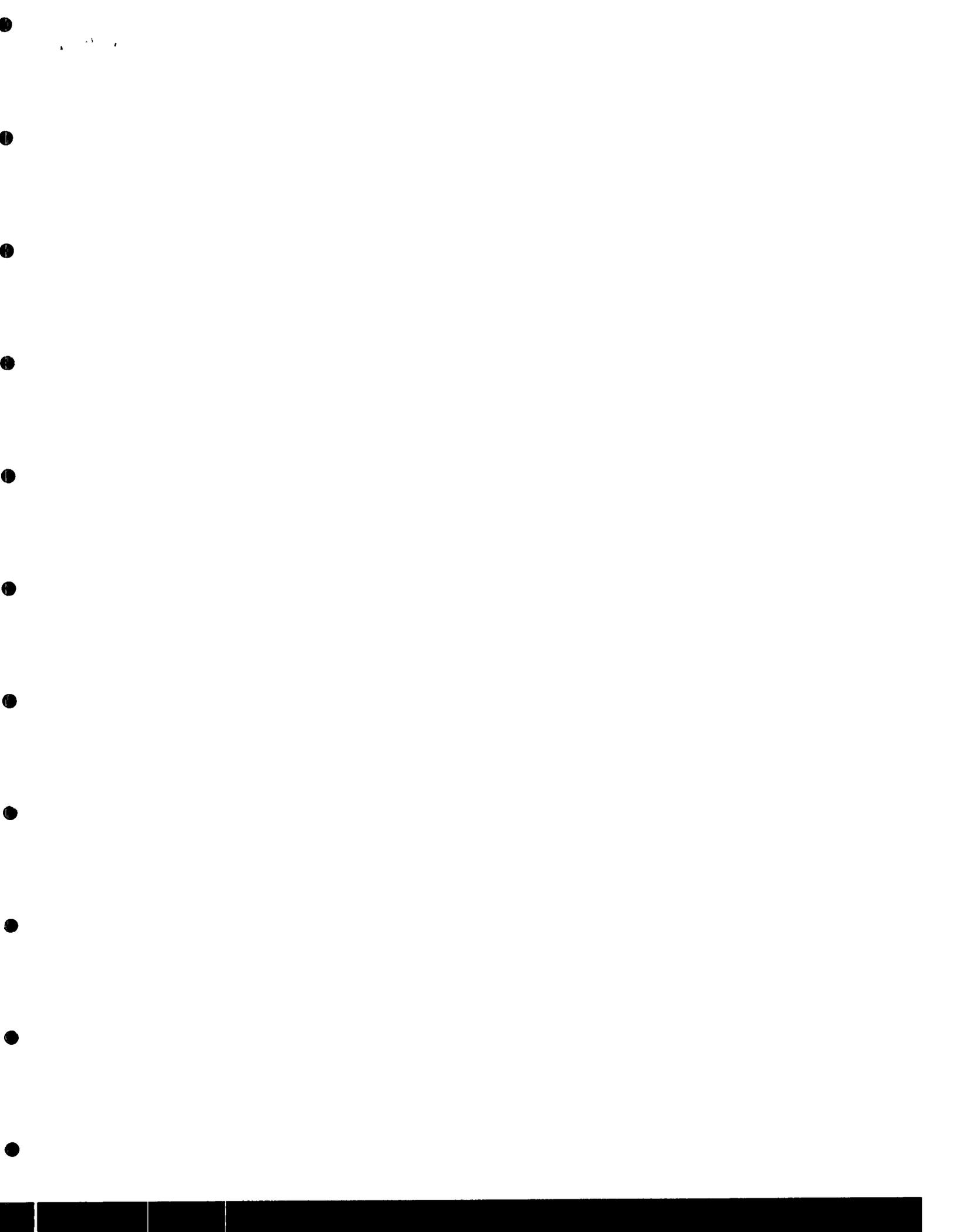
INFORMATION FOR POSSESSION OR CONTROL REQUIREMENTS UNDER RULE 15c3-3

State the market valuation and the number of items of:

- 1. Customer's fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frames specified under Rule 15c3-3. NONE
 - A. Number of Items NONE

- 2. Customer's fully paid securities and excess margin securities for which instructions to reduce to possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3. NONE
 - A. Number of Items NONE

- 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3.



ANDREW, LITTNER LLC.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5

Board of Directors
Conners & Co., Inc.
Cincinnati, Ohio

In planning and performing our audit of the financial statements of Conners & Co., 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 the 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 compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in the following:

1. Making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e)
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 customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of 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 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 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 the specific internal control components does not reduce to a relatively low level the risk that 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 the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above. Due to the size of the Company and the limited personnel involved, it is not possible to have a system of internal control that would exist in a larger organization. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of Conners & Co., Inc., for the year ended June 30, 2006, and this report does not affect our report thereon dated August 22, 2006.

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 Commission'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 should not be used for any other purpose.

Andrew, Kettner LLC

Certified Public Accountants

Cincinnati, Ohio
August 22, 2006