

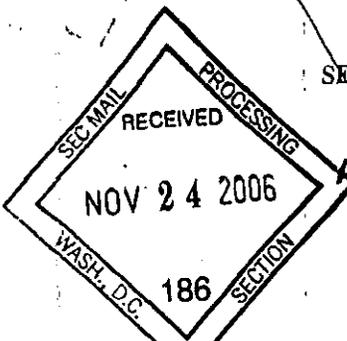
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SECURITY 06051174 SECTION

Washington, D.C. 20549



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

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**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 10/01/05 AND ENDING 09/30/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BASIC INVESTORS, INC.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
510 BROADHOLLOW ROAD SUITE 306
(No. and Street)
MELVILLE, NEW YORK 11747
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
RICHARD BELZ (631) 630-2770
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GREENE, ARNOLD G., CPA
(Name - if individual, state last, first, middle name)
866 UNITED NATIONS PLAZA, NEW YORK, N.Y. 10017
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

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**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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BASIC INVESTORS, INC.

REPORT

FORM X-17A-5

FOR THE YEAR ENDED

SEPTEMBER 30, 2006

BASIC INVESTORS, INC.

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SEPTEMBER 30, 2006

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ARNOLD G. GREENE

CERTIFIED PUBLIC ACCOUNTANT
866 UNITED NATIONS PLAZA
NEW YORK, N.Y. 10017

(212) 751-6910
FAX (212) 751-6911

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and
Stockholders of

BASIC INVESTORS, INC.

I have audited the accompanying statement of financial condition of Basic Investors, Inc. as of September 30, 2006 and the related statements of income and expense, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Basic Investors, Inc. as of September 30, 2006, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles, on a basis consistent with that of the preceding year.

Also, I have examined the supplementary schedules on pages 6, 7 and 8, and in my opinion, they present fairly the information included therein in conformity with the rules of the Securities and Exchange Commission.

November 20, 2006



BASIC INVESTORS, INC.
STATEMENT OF FINANCIAL CONDITION
SEPTEMBER 30, 2006

<u>ASSETS</u>		
Current assets:		
Cash		\$ 276,282
Receivable from broker-dealer:		
Commissions	\$ 684,048	
Good faith deposit	100,000	
Mutual Fund Commissions	<u>8,706</u>	792,754
Investment at market		508,551
Equipment (less depreciation of \$190,845)		16,810
Security deposit		23,087
Other assets		<u>\$ 74,086</u>
Total assets		<u>\$1,691,570</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued expenses		\$ 980,130
Securities sold, not yet purchased		<u>27,977</u>
		1,008,107
Liabilities subordinated to claims of general creditors		<u>105,000</u>
Total liabilities		1,113,107
Stockholders' equity:		
Common stock, no par value		
Authorized 400 shares		
Issued and outstanding 198 shares	\$ 1,000	
Additional paid-in-capital	654,800	
Retained earnings	15,823	
Less: Treasury stock	<u>(93,160)</u>	
Total stockholders' equity		<u>578,463</u>
Total liabilities and stockholders' equity		<u>\$1,691,570</u>

See notes to financial statements.

BASIC INVESTORS, INC.

STATEMENT OF INCOME AND EXPENSE

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Revenues:	
Commission income	\$5,601,378
Trading profit (loss)	(701,069)
Mutual Fund income	133,519
Consulting	1,090,967
Error account loss	(436,391)
Underwriting income	986,620
Service charge income	566,037
Unsecured debits	(62,906)
Interest and dividends	<u>8,778</u>
Total revenue	7,186,933
Expenses:	
Salaries of voting stockholders	\$ 341,450
Other salaries	581,056
Clearing fees	138,273
Regulatory fees and expenses	93,925
Commissions	5,342,801
Interest on subordinated loans	12,600
Other interest	7,580
Quotes and information services	272,429
Rent	73,716
Insurance	119,787
Telephone	21,911
Other taxes	89,597
Other expenses	<u>543,657</u>
Total expenses	<u>7,638,782</u>
Income (loss) before federal income tax	(451,849)
Add: Federal income tax over accrual	<u>60,000</u>
Net income (Loss)	<u>(\$391,849)</u>

See notes to financial statements.

BASIC INVESTORS, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Resources provided:

Decrease in investments	\$1,201,437
Depreciation	8,298
Increase in securities sold, not yet purchased	12,077
Increase in Capital contributed	<u>167,820</u>

Total resources provided **1,389,632**

Resources applied:

Net loss	\$391,849
Increase in due from broker	481,832
Increase in fixed assets	12,727
Decrease in accrued expense payable	349,373
Increase in other assets	<u>67,671</u>

Total resources applied **1,303,452**

Increase

86,180

Cash – October 1, 2005

190,102

Cash – September 30, 2006

\$276,282

See notes to financial statements.

BASIC INVESTORS, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Stockholders equity, October 1, 2005	\$ 802,492
Add: Capital Contributed	167,820
Less: Net Loss	<u>(391,849)</u>
Stockholders equity, September 30, 2006	<u>\$578,463</u>

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

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Balance, October 1, 2005	\$ 105,000
Increases	<u>-0-</u>
Balance, September 30, 2006	<u>\$ 105,000</u>

See notes to financial statements.

BASIC INVESTORS, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006

1. ORGANIZATION :

Basic Investors, Inc. (the "Company") is a corporation conducting business as a broker-dealer registered with the National Association of Securities Dealers, Inc. Its clearing broker, Penson Financial Services, Inc., pursuant to a clearance agreement performs the clearing and depository operations for the Company's customer accounts. All customer transactions are cleared on a fully disclosed basis.

2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in conformity with generally accepted accounting principles, which require the use of estimates by management.

Commission revenue and related expenses are recorded on a settlement-date basis. For financial statement purposes, the difference between settlement-date basis and trade-date basis is not material.

3. RECEIVABLE FROM CLEARING BROKER:

The Company conducts business with its clearing broker, Penson Financial Services, Inc., on a fully disclosed basis. The Company earns commissions as an introducing broker for the transactions of its customers.

At September 30, 2006, the receivables from the clearing broker reflected on the statement of financial condition represents amounts due from the clearing broker.

The Company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company. As of September 30, 2006 there were no amounts owed to the clearing broker by these customers in connection with normal margin, cash and delivery against payment transactions.

4. NET CAPITAL REQUIREMENTS:

As a broker-dealer and member organization of the National Association of Securities Dealers, Inc., the Company is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission, which requires that the Company maintain minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or \$100,000, whichever is greater. At September 30, 2006, the Company had net capital of \$447,579, as indicated on page 8 of this audited report. In October 2006, the Company filed Part IIA of Form X-17a-5 (unaudited) and reported net capital of \$447,781. The difference of \$202 is accounted for by net accruals and reclassifications made during the audit.

5. INCOME TAXES:

The Company is organized as a Corporation and pays taxes based on the net income of the Company.

6. LEASE:

The Company has extended its lease, which will now expire on July 31, 2007, at a monthly rental of \$5,817.

Future minimum rental payments required as of September 30, 2006 over the remaining term of the lease amounts to approximately \$58,170.

7. LEGAL MATTERS:

A. An Arbitration has been filed against the firm by a customer, which is being vigorously defended by the firm. The amount would not have any material effect on net capital.

B. An Arbitration was filed by the Company against a customer and former registered representative. They filed counter-claims against the Company. The case with the customer was settled, and the remaining issues with the former representative remain open and are being vigorously defended.

BASIC INVESTORS, INC.
COMPUTATION OF NET CAPITAL
SEPTEMBER 30, 2006

Common Stock		\$ 1,000
Additional paid-in-capital		654,800
Retained earnings		15,823
Less: Treasury Stock		<u>(93,160)</u>
		578,463
Add: Subordinated loans		<u>105,000</u>
		683,463
Less: non-allowable assets		<u>121,187</u>
Net capital before haircuts		562,276
Less: haircuts on securities	\$ 80,535	
Undue concentration	<u>34,162</u>	<u>(114,697)</u>
Net capital		447,579
Greater of:		
Minimum dollar net capital required	<u>\$100,000</u>	
or		
Minimum net capital required: (6.67% of aggregate indebtedness \$980,130)	<u>\$ 65,345</u>	<u>100,000</u>
Excess net capital		<u>\$347,579</u>

AGGREGATE INDEBTEDNESS

Accounts payable and accrued expenses, etc.		\$ <u>980,130</u>
Percentage of aggregate indebtedness to net capital		<u>219%</u>

See notes to financial statements.

BASIC INVESTORS, INC.

RECONCILIATION OF NET CAPITAL WITH FOCUS REPORT

SEPTEMBER 30, 2006

Net capital per company's unaudited X-17A-5, Part IIA Filing (Focus Report)		\$ 447,781
Less: Audit adjustments	\$ 196	
Undue concentration	<u>6</u>	<u>(202)</u>
Net capital per audited report, September 30, 2006		<u>\$ 447,579</u>

ARNOLD G. GREENE

CERTIFIED PUBLIC ACCOUNTANT
800 UNITED NATIONS PLAZA
NEW YORK, N.Y. 10017

(212) 751-6910
FAX (212) 751-6911

ACCOUNTANT'S REPORT ON INTERNAL ACCOUNTING CONTROL

To the Board of Directors and Stockholders of

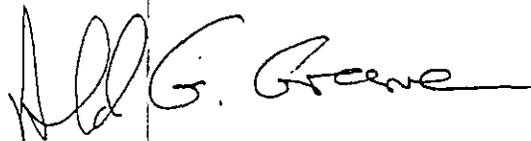
BASIC INVESTORS, INC.

I have examined the financial statements of Basic Investors, Inc., for the year ended September 30, 2006 and have issued my report thereon dated November 20, 2006. As part of the examination, I made a study and evaluation of the system on internal accounting control to the extent I considered necessary to evaluate the system required by the generally accepted auditing standards and Rule 17A-5 of the Securities and Exchange Commission. This study and evaluation included the accounting system, the procedures of safeguarding securities, and the practices and procedures followed by the client (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17A-3 (a) (11), the broker is exempt from compliance with Rule 15c3-3, and was in compliance with the conditions of the exemption, and no facts came to my attention indicating that such conditions had not been complied with during the year (ii) the broker does not maintain customer accounts nor handle securities, and I have reviewed the broker's practices for safeguarding securities that may be received by the broker for transmittal to a clearing organization. Rule 17A-5 states that the scope of the study and evaluation should be sufficient to provide reasonable assurance that any material weakness existing at the date of my examination would be disclosed. Under generally accepted auditing standards and Rule 17A-5, the purpose of such study and evaluation are to establish a basis for reliance thereon in procedures necessary for expressing an opinion of the internal accounting control.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance concerning the safeguarding of assets against loss from unauthorized use or disposition and concerning the reliability of financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimated and judgments by management. However, for the purposes of this report under Rule 17A-5, the determination of weakness to be reported was made without considering the practicability of corrective action by management within the framework of a cost/benefit relationship.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends on segregation of duties can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates, projection or any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation of the system of internal accounting control for the year ended September 30, 2006 which was made for the purposes set forth in the first paragraph above and would not necessarily disclose all weaknesses in the system that may have existed during the period, disclosed no weaknesses that I believe to be material.

A handwritten signature in black ink that reads "Arnold G. Greene". The signature is written in a cursive style with a long horizontal line extending to the right.

November 20, 2006