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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

SEC FILE NUMBER  
8-66093

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

**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 JANUARY 1, 2006 AND ENDING DECEMBER 31, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: TELECOM REGULATORY SOURCE ASSOCIATES, LLC  
OFFICIAL USE ONLY

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

1770 MASSACHUSETTS AVE, SUITE 331  
(No. and Street)

CAMBRIDGE MA 02140  
(CITY) (state) (zip Code)

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

ANNA MARIA KOVACS 1-617-661-4666  
(Area Code - Telephone No.)

**PROCESSED**

**MAR 1 2 2007**

FIRM ID. NO. 128119  
**THOMSON FINANCIAL**

**B. ACCOUNTANT IDENTIFICATION**

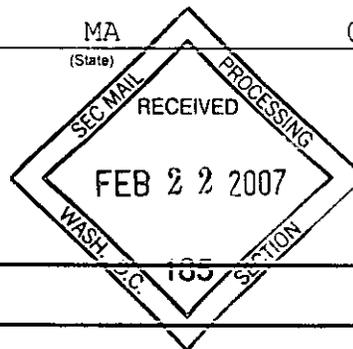
INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Karll, Harvey CPA, P.C.  
(NAME-IF INDIVIDUAL STATE LAST, FIRST, MIDDLE NAME)

41 Middle Street Newburyport MA 01950-2755  
(Address) (City) (State) (ZIP Code)

CHECK ONE:

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



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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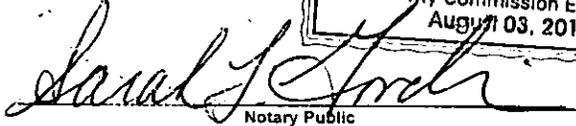
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## OATH OR AFFIRMATION

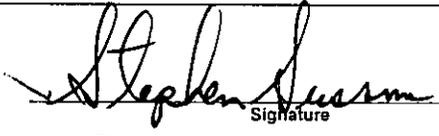
I, Stephen Sussman swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Telecom Regulatory Source Associates, LLC, as of December 31, 2006 are true and correct. I further swear (or affirm) that neither 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:

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Notary Public

SARAH J. GOODWIN  
Notary Public-New Hampshire  
My Commission Expires  
August 03, 2010

  
Signature

CFO  
Title

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

- X (a) Facing page.
- X (b) Statement of Financial Condition.
- X (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- X (e) Statement of Changes in Stockholders' Equity, or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims, of Creditors.
- X (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- X (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.
- X (K) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- X (l) An Oath or Affirmation
- (m) A copy of the SIPC Supplemental Report.
- X (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 240.17d-5 (e)(3).



# Harvey E. Karll CPA, P.C.

41 Middle Street  
Newburyport, Massachusetts 01950  
(978) 465-9512 Fax (978) 462-9043

## **Report on Internal Control Required By SEC Rule 17a-5 for a Broker-Dealer claiming an exemption From SEC Rule 15c3-3**

Sole Member  
Telecom Regulatory Source Associates, LLC  
Cambridge, MA

In planning and performing my audit of the financial statements of Telecom Regulatory Source Associates, LLC (the Company), for the year ended December 31, 2006, I considered its internal control, including control activities for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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"), I have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debts) 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, I 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.

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 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 any internal control or the practices and procedures referred to above, errors 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.

My consideration of internal control would not necessarily disclose all matters in the 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, I noted no matters involving internal control, including control activities for safeguarding securities, that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at December 31, 2006 to meet the SEC's objectives. In addition, the Company was in compliance with the exemptive provisions of Rule 15c3-3 at December 31, 2006 and further, no facts came to my attention indicating that the Company was not in compliance with such conditions during the year ended December 31, 2006.

This report is intended solely for the information and use of the Board of Directors, Management, the SEC, (Designated self-regulatory organization), 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.

*Harvey E. Karll CPA, P.C.*

Harvey E Karll CPA, P.C.  
Newburyport, MA  
February 3, 2007

Telecom Regulatory Source Associates, LLC

Audited Financial Statements

For The Year Ended December 31, 2006

Contents

Index

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|  | Page |
|--|------|
| Independent Auditors Report.....   | 1    |
| Statement of Financial Condition.....                                      | 2    |
| Income Statement .....   | 3-4  |
| Statement of Changes in Members Capital .....                              | 5    |
| Statement of Cash Flows .....  | 6    |
| Notes to Financial Statements.....   | 7-8  |
| SUPPLEMENTARY SCHEDULES:   |      |
| Schedule I: Computation of Net Capital Pursuant<br>to SEC Rule 15c3-1..... | 9    |
| Schedule II: Reconciliation of Audited vs. Unaudited<br>Net Capital.....   | 10   |
| Exemptive Provision under Rule 15c3-3.....                                 | 11   |



# Harvey E. Karll CPA, P.C.

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Newburyport, Massachusetts 01950  
(978) 465-9512 Fax (978) 462-9043

## INDEPENDENT AUDITORS REPORT

Telecom Regulatory Source Associates, LLC  
160 Massachusetts Avenue, #506  
Cambridge, MA 02138

I have audited the accompanying statement of financial condition of Telecom Regulatory Source Associates, LLC as of December 31, 2006, and the related statements of income, changes in member capital, and cash flows for the year 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards, generally accepted in the United States of America. Those standards require that I 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 position of the Telecom Regulatory Source Associates, LLC as of December 31, 2006 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Harvey E. Karll CPA, P.C.*

Harvey E. Karll CPA, P.C.  
February 3, 2006

Telecom Regulatory Source Associates, LLC  
Statement of Financial Condition  
December 31, 2006

Assets

|                        |                  |
|------------------------|------------------|
| Cash                   | \$ 49,126        |
| Commissions Receivable | 6,574            |
| Prepaid NASD Fees      | 2,660            |
| Prepaid Expenses       | 3,340            |
| CRD-Daily Account      | <u>1,081</u>     |
|                        | <u>\$ 62,781</u> |

Liabilities and Members Capital

|                   |                  |
|-------------------|------------------|
| Liabilities:      |                  |
| Due to RSA        | <u>452</u>       |
|                   | 452              |
| Member's Capital: | <u>62,328</u>    |
|                   | <u>\$ 62,781</u> |

See Accountant's Report & Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Income Statement  
Twelve Months Ended December 31, 2006

|   | Year To Date            |
|---|-------------------------|
| Income  |                         |
| Commissions Income                                  | \$ 112,213              |
| Total Income  | <u>112,213</u>          |
| General & Administrative Exp.<br>( See Schedule A ) | 77,035                  |
| Net Income ( Loss )                                 | <u><u>\$ 35,178</u></u> |

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Income Statement  
Twelve Months Ended December 31, 2006

Year To Date

General & Administrative Exp.  
( Schedule A )

|                         |    |             |
|-------------------------|----|-------------|
| Commissions Expense     | \$ | 3,285       |
| Execution Cost          |    | 44,600      |
| Dues & Subscriptions    |    | 150         |
| Insurance-Bond          |    | 368         |
| Office Supplies/Expense |    | 266         |
| Professional Fees       |    | 24,221      |
| Regulatory Fees         |    | 3,545       |
| TaxesPayroll            |    | 600         |
|                         |    | <hr/>       |
| Total G & A Expense     | \$ | 77,035      |
|                         |    | <hr/> <hr/> |

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Statement of Changes in Member's Capital  
For The Year Ended December 31, 2006

|                              | Member's<br>Capital       |
|------------------------------|---------------------------|
| Balance at beginning of year | \$ 62,150                 |
| Net Profit                   | 35,178                    |
| Distributions to Member      | ( 35,000)                 |
| Balance at end of year       | <u>\$ 62,328</u><br>===== |

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Statement of Cash Flows  
Twelve Months Ended December 31, 2006

|                               |           | Year To Date |
|-------------------------------|-----------|--------------|
| Cash Provided from Operations |           |              |
| Net Income ( Loss )           | \$ 35,179 |              |
| Adjustments                   |           |              |
| Add:                          |           |              |
| Commissions Receivable        | 7,304     |              |
| Prepaid NASD Fees             | 405       |              |
| Less:                         |           |              |
| Prepaid Expenses              | ( 1,926)  |              |
| Commissions Payable           | ( 1,358)  |              |
| Due to Member                 | ( 748)    |              |
|                               | <hr/>     |              |
| Cash from Operations          |           | 38,856       |
| Cash Flows - Invested         |           |              |
| CRD-Daily Account             | 40        |              |
|                               | <hr/>     |              |
| Investing Cash Flows          |           | 40           |
| Cash Flows - Financing        |           |              |
| Members Distributions         | ( 35,000) |              |
|                               | <hr/>     |              |
| Financing Cash Flows          |           | ( 35,000)    |
|                               |           | <hr/>        |
| Cash Increase (Decrease)      |           | 3,896        |
| Cash - Beginning of Year      |           |              |
| Checking                      | 45,230    |              |
|                               | <hr/>     |              |
| Total Beginning of Year       |           | 45,230       |
|                               |           | <hr/>        |
| Cash on Statement Date        |           | \$ 49,126    |
|                               |           | <hr/> <hr/>  |

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Notes to Financial Statements  
For the Year Ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Telecom Regulatory Source Associates, LLC, was established July 17, 2003 under the laws of the Commonwealth of Massachusetts to engage in a line of business as a securities broker/dealer. The Company clears its customer accounts on a fully disclosed basis through Reynders, Gray & Co., Inc.

Income Taxes

A limited liability company is treated as a partnership for both federal and state income tax purposes. Thus, federal and state income (loss) are passed through to the members of the company, and not taxed at the company level. Therefore, no provision or liability for federal or state income taxes are required in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Accounting

The Company uses the accrual method of accounting for financial and tax accounting purposes.

Concentration of Credit Risk

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2006 the company had nothing in excess of FDIC insured limits. The company has not experienced any losses in such accounts.

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Notes to Financial Statements  
For the Year Ended December 31, 2006

2. Net Capital Requirements

As a broker/dealer, the company is subject to the Securities and Exchange Commission's regulations and operating guidelines, which require the Company to maintain a specified amount of net capital, as defined, and a ratio of aggregate indebtedness to net capital, as derived, not exceeding 15 to 1. The Company's net capital computed under 15c3-1 was \$55,247 at December 31, 2006, which exceed required net capital of \$5,000 by \$50,247. The ratio of aggregate indebtedness to net capital at December 31, 2006 was 0.01 to 1.0.

3. Advertising

The company's policy is to expense the cost of advertising as it is incurred.

4. Cash and Cash Equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less.

5. Cash Flows

Cash paid for interest and income taxes is as follows:

|          |       |
|----------|-------|
| Interest | \$ 0  |
|          | ===== |

6. Fair Value of Financial Statements

The company's financial statements are cash and cash equivalents, commissions receivable and commissions payable. The recorded values of cash and cash equivalents, commissions receivable and commissions payable approximate their fair values based on their short-term nature.

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Computation of Net Capital  
December 31, 2006

|   |              |
|---|--------------|
| Total Shareholders Equity                         | \$ 62,328    |
| Less: Non Allowable Assets                        | <u>7,081</u> |
| Net Capital                                       | 55,247       |
| Less: Capital Requirement                         | <u>5,000</u> |
| Excess Net Capital                                | \$ 50,247    |
| Aggregate Indebtedness                            | =====        |
|   | \$ 452       |
|   | =====        |
| Ratio of Aggregate Indebtedness<br>To Net Capital | 0.01 to 1.0  |

See Accountant's Report and Accompanying Notes

Telecom Regulatory Source Associates, LLC  
Reconciliation of Audited vs Unaudited Net Capital  
As of December 31, 2006

|   |                   |
|---|-------------------|
| Net Capital - As reported in Part IIA Focus | \$52,063          |
| Year end audit adjustment                   | <u>3,184</u>      |
| Audited net capital, as above               | \$55,247<br>===== |

See Accountant's Report and Accompanying Notes  
-10-

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART IIA

BROKER OR DEALER Telecom Regulatory Source Associates, LLC as of 12/31/06

EXEMPTIVE PROVISION UNDER RULE 15c3-3

If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based:

- A. (k)  
(1)-Limited business (mutual funds and/or variable annuities only) 4550
- B. (k)  
(2)(i)-"Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k)  
(2)(ii)--All customer transactions cleared through another broker-dealer X 4570  
on a fully disclosed basis
- | Name of clearing firm(s)<br>Clearing Firm SEC#s | Name  | Product Code                                      |
|---|---|---|
| 8- <u>22871</u><br>[4335A]                      | <u>REYNDERS, GRAY &amp; CO., INC</u><br>[4335A2]      | <u>ALL</u> [4335B]                                |
| 8- <u>          </u><br>[4335C]                 | <u>                                  </u><br>[4335C2] | <u>                                  </u> [4335D] |
| 8- <u>          </u><br>[4335E]                 | <u>                                  </u><br>[4335E2] | <u>                                  </u> [4335F] |
| 8- <u>          </u><br>[4335G]                 | <u>                                  </u><br>[4335G2] | <u>                                  </u> [4335H] |
| 8- <u>          </u><br>[4335I]                 | <u>                                  </u><br>[4335I2] | <u>                                  </u> [4335I] |
- D. (k) (3) Exempted by order of the Commission 4580

See Accountant's Report and Accompanying Notes

*END*