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

MISSION
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WASH, D.C. 210
SECTION

SEC FILE NUMBER
8- 34979

**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 01/01/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **BPU Investment Management, Inc.**

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

One Oxford Centre, 301 Grant Street, Suite 3300

(No. and Street)

Pittsburgh,

(City)

Pennsylvania

(State)

15219

(Zip Code)

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

Rick E. Pierchalski

412-288-9150

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Lally, Lally & Co.LLC

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

5700 Corporate Drive, Suite 800, Pittsburgh, Pennsylvania 15237

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

MAR 15 2007

FOR OFFICIAL USE ONLY

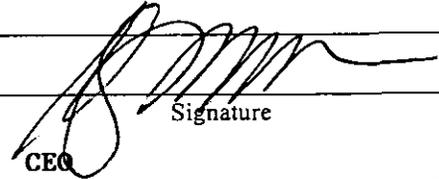
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FINANCIAL

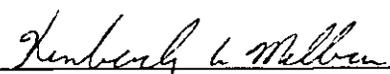
*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

[Handwritten signature]

OATH OR AFFIRMATION

I, Rick E. Pierchalski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BPU Investment Management, Inc., 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:


Signature
CEO


Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Kimberly A. Milburn, Notary Public
City Of Greensburg, Westmoreland County
My Commission Expires Sept. 29, 2007
Member, Pennsylvania Association Of Notaries

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 15c3-1 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.
- (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).

BPU INVESTMENT MANAGEMENT, INC.
FINANCIAL STATEMENTS
AND ACCOMPANYING INFORMATION
DECEMBER 31, 2006

CONTENTS

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1
Statement of Financial Condition	2
Statement of Operations	3
Statement of Changes in Stockholders' Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6

Supplementary Information

Computation of Net Capital Under SEC Rule 15c3-1	10
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Other Information

Independent Auditors' Report on Internal Control Required by SEC Rule 17a-5	11
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BPU INVESTMENT MANAGEMENT, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2006

ASSETS

Cash and Cash Equivalents	\$ 213,542
Securities Owned - At Market Value	40,624
Receivable From Broker-Dealers and Clearing Organization	249,898
Prepays and Other Assets	41,160
Furniture, Equipment, and Leasehold Improvements - At Cost, Less Accumulated Depreciation of Approximately \$196,900	<u>52,989</u>
Total Assets	<u>\$ 598,213</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Accounts Payable, Accrued Expenses, and Other Liabilities	<u>\$ 140,457</u>
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Stockholders' Equity

Common Stock - Par Value \$1 Per Share; 100,000 Shares Authorized; 65,000 Shares Issued and Outstanding	65,000
Retained Earnings	<u>392,756</u>
Total Stockholders' Equity	<u>457,756</u>
Total Liabilities and Stockholders' Equity	<u>\$ 598,213</u>

The accompanying notes are an integral part of these financial statements.

BPU INVESTMENT MANAGEMENT, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2006

REVENUE

Management Fee Income	\$ 2,262,914
Net Dealer Inventory and Investment Gains	631,515
Commissions and Fees	1,423,626
Interest	76,804
Other Revenues and Gains	62,237
Total Revenue	<u>4,457,096</u>

EXPENSES

Employee Compensation and Benefits	2,973,599
Other	409,476
Communications	300,153
Occupancy and Equipment Rentals	158,079
Commissions and Clearing Charges to Other Brokers	226,843
Total Expenses	<u>4,068,150</u>

Net Income	<u><u>\$ 388,946</u></u>
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The accompanying notes are an integral part of these financial statements.

BPU INVESTMENT MANAGEMENT, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2006

	<u>Common Stock</u>	<u>Retained Earnings</u>
Balance - Beginning	\$ 65,000	\$ 325,576
Stockholder Dividends	0	(321,766)
Net Income	<u>0</u>	<u>388,946</u>
Balance - Ending	<u>\$ 65,000</u>	<u>\$ 392,756</u>

The accompanying notes are an integral part of these financial statements.

**BPU INVESTMENT MANAGEMENT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2006**

OPERATING ACTIVITIES

Net Income	\$ 388,946
 Noncash Items Included in Net Income	
Depreciation	21,633
Unrealized Gains on Securities	(13,383)
Loss on Abandonment of Property and Equipment	17,537
 Changes In	
Receivable From Broker-Dealers and Clearing Organization	(65,056)
Securities Owned	(16,000)
Prepays and Other Assets	6,923
Accounts Payable, Accrued Expenses, and Other Liabilities	57,724
Net Cash and Cash Equivalents From Operating Activities	<u>398,324</u>

INVESTING ACTIVITIES

Property and Equipment Acquired	<u>(45,798)</u>
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FINANCING ACTIVITIES

Dividends Paid	<u>(321,766)</u>
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Net Increase in Cash and Cash Equivalents	30,760
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Cash and Cash Equivalents - Beginning	<u>182,782</u>
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Cash and Cash Equivalents - Ending	<u><u>\$ 213,542</u></u>
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The accompanying notes are an integral part of these financial statements.

BPU INVESTMENT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS

1 – ORGANIZATION

BPU Investment Management, Inc. (formerly BPU Investment Group, Inc.) was incorporated in September 1985, and was organized under the laws of the Commonwealth of Pennsylvania. The Company operates as a securities broker-dealer, registered with the National Association of Security Dealers, Inc. and is also a federally registered investment advisor.

The Company is headquartered in Pittsburgh, Pennsylvania and maintains a branch in Greensburg, Pennsylvania. The Company executes principal and agency securities transactions, and manages investment portfolios.

2 – SIGNIFICANT ACCOUNTING POLICIES

The financial statements of BPU Investment Management, Inc. are presented on the accrual basis of accounting and are prepared in conformity with U.S. generally accepted accounting principles. In order to facilitate the understanding of the data included in the financial statements, summarized below are the more significant accounting policies.

Securities Transactions

The Company clears securities transactions through First Clearing, LLC, a member of the New York Stock Exchange, Inc. and NASDAQ, on a fully disclosed basis. The Company does not carry securities accounts for customers or perform custodial functions relating to customer securities. As such, the Company operates under the (k)(2)(ii) exemptive provisions of Securities and Exchange Commission (SEC) Rule 15c3-3.

Securities transactions, together with related commission revenues and expenses, are recorded on a trade date basis.

Cash and Cash Equivalents

The Company maintains balances on deposit with financial institutions and its clearing broker. Those organizations are located in Pennsylvania and Massachusetts (financial institutions) and Virginia (clearing broker). The accounts maintained at financial institutions are insured by the Federal Deposit Insurance Corporation up to \$100,000. The cash accounts maintained at the clearing broker are insured by the Securities Investor Protection Corporation up to \$100,000. At certain times during the year, the Company's cash balances may exceed those limits. The Company has not experienced any losses associated with those accounts.

For purposes of the statement of cash flows, the Company includes amounts on deposit with banks and amounts invested in money market instruments with other financial institutions as cash and cash equivalents.

BPU INVESTMENT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

2 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Securities Owned

Securities are carried at market value. Investments in securities traded on a national securities exchange or listed on NASDAQ are valued at the last reported sales price on the primary securities exchange on which securities have traded on the last business day of the year. The resulting difference between cost and market is included in income.

Furniture, Equipment, and Leasehold Improvements

Furniture, equipment, and leasehold improvements are recorded at cost. Depreciation is provided on a straight-line basis using estimated useful lives ranging from five to thirty-nine years. Depreciation expense for the year ended December 31, 2006, amounted to approximately \$21,600.

Income Taxes

The Company has elected S corporation status for federal and state income tax purposes. Earnings and losses are included in the personal income tax returns of the stockholders and taxed depending on their personal tax strategies. Accordingly, the Company's financial statements do not include a provision for income taxes.

3 – RECEIVABLE FROM BROKER-DEALERS AND CLEARING ORGANIZATION

Amounts receivable from broker-dealers and clearing organization at December 31, 2006, consisted of the following:

Deposits with Clearing Organization	\$ 100,443
Fees and Commissions Receivable	<u>149,455</u>
	<u>\$ 249,898</u>

The Company clears its transactions on a fully disclosed basis through First Clearing, LLC. The amounts receivable from the clearing organization relate to amounts due from First Clearing, LLC.

4 – EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS

The Company sponsors a profit sharing plan under Section 401(k) of the Internal Revenue Code benefiting substantially all employees, as defined. Employees are eligible to participate as of the date of their employment. A discretionary contribution to the plan totaling approximately \$47,300 was incurred by the Company for the year.

BPU INVESTMENT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

4 – EMPLOYEE BENEFIT AND DEFERRED COMPENSATION PLANS (CONTINUED)

The Company also sponsors a cafeteria plan under Section 125 of the Internal Revenue Code. The plan provides health care benefits for full time employees. Pretax salary reductions from employees are contributed to the plan.

5 – REVOLVING CREDIT LINE

Under the terms of a revolving credit agreement with a bank, the Company may borrow up to \$300,000. Principal borrowings on the line are payable on demand and interest on advances is payable monthly at the prime rate plus .5% (8.75% at December 31, 2006). The line is collateralized with principally all assets of the Company and calls for stockholder guarantees. The credit line agreement also calls for periodic renewals.

6 – COMMITMENTS AND CONTINGENCIES

The Company leases office space, vehicles, and equipment under several short-term and long-term agreements that expire in various years through 2009. Certain of the leases call for renewal options. The leases are classified as operating leases. The leases call for monthly base rents of approximately \$12,400 at December 31, 2006. Certain of the office space leases contain provisions for additional rents for real estate tax increases and building operating costs based on the Company's pro rata share of building occupancy. For the year ended December 31, 2006, rent expense under the leases was approximately \$158,100.

Minimum future rental payments under non-cancelable operating leases having remaining lease terms in excess of one year as of December 31, 2006, for each of the next two years are:

<u>Year Ending</u> <u>December 31,</u>	
2007	\$ 170,700
2008	188,400
2009	<u>49,700</u>
	<u>\$ 408,800</u>

Affiliation Agreement

The Company has an affiliation agreement to provide certain financial services to a third-party organization. Under the terms of the agreement, the Company compensates this affiliate at certain agreed-upon rates for revenues earned on services generated by the affiliate. The agreement has no expiration date and can be terminated by either party with a sixty day written notice. During 2006, approximately 1.2% of the Company's revenues were earned under this agreement.

BPU INVESTMENT MANAGEMENT, INC.
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

7 – NET CAPITAL REQUIREMENTS

The Company, as a registered broker-dealer in securities, is subject to the net capital rule adopted by the Securities and Exchange Commission and administered by the National Association of Securities Dealers, Inc. This rule requires that the Company's "aggregate indebtedness," as defined, not exceed fifteen times its "net capital," as defined. The National Association of Securities Dealers, Inc. may require a broker-dealer to reduce its business activity if the capital ratio should exceed 12 to 1 and may prohibit a broker-dealer from expanding business if the ratio exceeds 10 to 1. At December 31, 2006, the Company's net capital under the uniform net capital rule was approximately \$348,000, which exceeded the minimum capital requirements by approximately \$298,000. The Company's ratio of aggregate indebtedness to net capital at December 31, 2006, was .40 to 1.



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

BPU Investment Management, Inc.
Pittsburgh, Pennsylvania

In planning and performing our audit of the financial statements of **BPU Investment Management, Inc.** (the Company) for the year ended December 31, 2006, we considered its internal control, including procedures 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 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 (or aggregate debits) 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;
2. Recordation of differences required by Rule 17a-13; and
3. Complying with the requirements for prompt payment for securities under Section 8 of the 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 judgements by management are required to assess the expected benefits and related costs of controls 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 the 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 U.S. 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 the 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 the 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 December 31, 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, the National Association of Security Dealers, Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Vary, Vary & Co. PC
January 19, 2007



END