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

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

SEC FILE NUMBER
B. 27440

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: Disalle Securities & Mortgage Company

OFFICIAL USE ONLY

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

FIRM I.D. NO.

1909 River Road

(No. and Street)

Maumee

(City)

Ohio

(State)

43537

(Zip Code)

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

Daniel J. Disalle

419-893-0751

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

William Vaughan Company

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

145 Chesterfield Lane

(Address)

Maumee

(City)

Ohio

(State)

43537

(Zip Code)

CHECK ONE:

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

PROCESSED

B

APR 11 2007

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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)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Mr. Dan Disalle, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Disalle Securities and Mortgage Company, 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:

[Handwritten Signature]
Signature
Pres.
Title

Mary Jo Fischer
Notary Public Comm Exp: 3/10/08

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.

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

DISALLE SECURITIES AND MORTGAGE CO.
STATEMENTS OF FINANCIAL CONDITION
December 31, 2006 and 2005

ASSETS

	2006	2005
Current assets		
Cash and cash equivalents	\$ 880	\$ 3,369
Commissions receivable	45,000	0
Dividends receivable	14,802	13,512
Prepaid taxes	640	480
Prepaid expenses	2,051	2,145
Total current assets	63,373	19,506
Property and equipment		
Computer equipment	933	933
Less accumulated depreciation	933	841
Net property and equipment	0	92
Other assets		
Marketable securities, at market value (Note 5)	1,514,569	1,370,035
Ohio workers' compensation deposit	12	12
Total other assets	1,514,581	1,370,047
Total assets	\$ 1,577,954	\$ 1,389,645

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Commissions payable	\$ 24,750	\$ 0
Non-interest bearing obligation due to affiliated company (Note 2 and 6)	0	218,644
Total liabilities	24,750	218,644
Stockholder's equity		
Common stock, 500 shares authorized, stated value \$2 per share, 250 shares issued and outstanding	500	500
Amount paid in excess of stated value (Note 6)	255,875	27,686
Retained earnings	1,296,829	1,142,815
Total stockholder's equity	1,553,204	1,171,001
Total liabilities and stockholder's equity	\$ 1,577,954	\$ 1,389,645

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

DISALLE SECURITIES AND MORTGAGE CO.
STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2006 and 2005

	2006	2005
Revenue		
Commissions earned on private placement of direct participation programs (Note 2)	\$ 159,000	\$ 69,500
Unrealized gain (loss) on marketable securities	108,392	(299,641)
Realized loss on sale of marketable securities	(4,763)	(6,361)
Interest and dividend income	57,601	51,230
Total revenue	320,230	(185,272)
 Selling, general and administrative expenses		
Commissions	88,174	35,450
Management fees (Note 2)	5,506	22,025
Other operating expenses (Notes 2 and 4)	22,536	31,033
Total selling, general and administrative expenses	116,216	88,508
Net income (loss)	\$ 204,014	\$ (273,780)

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

DISALLE SECURITIES AND MORTGAGE CO.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2006 and 2005

	<u>Common Stock</u>		<u>Amount Paid In Excess Of Stated Value</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, December 31, 2004	250	\$ 500	\$ 27,686	\$ 1,471,595	\$ 1,499,781
Net loss for the year ended December 31, 2005				(273,780)	(273,780)
Distributions to stockholder				(55,000)	(55,000)
Balances, December 31, 2005	250	500	27,686	1,142,815	1,171,001
Net income for the year ended December 31, 2006				204,014	204,014
Capital contribution (Note 6)			228,189		228,189
Distributions to stockholder				(50,000)	(50,000)
Balances, December 31, 2006	<u>250</u>	<u>\$ 500</u>	<u>\$ 255,875</u>	<u>\$ 1,296,829</u>	<u>\$ 1,553,204</u>

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

DISALLE SECURITIES AND MORTGAGE CO.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities		
Net income (loss)	\$ 204,014	\$ (273,780)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Unrealized (gain) loss on marketable securities	(108,392)	299,641
Depreciation	92	187
Realized loss on sale of marketable securities	4,763	0
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Dividends receivable	(1,290)	(1,484)
Commissions receivable	(45,000)	0
Prepaid expenses	(66)	(480)
Increase (decrease) in:		
Commissions payable	24,750	0
Accrued city taxes	0	(600)
Net cash provided by operating activities	78,871	23,484
Cash flow from investing activities		
Proceeds from sale of marketable securities	39,337	0
Costs incurred to exercise warrants of marketable securities	(24,000)	0
Purchases of marketable securities - dividends re-invested	(56,242)	(23,683)
Net cash used in investing activities	(40,905)	(23,683)
Cash flows from financing activities		
Borrowings from affiliated company	9,545	35,222
Distributions to stockholder	(50,000)	(55,000)
Net cash used in financing activities	(40,455)	(19,778)
Net decrease in cash	(2,489)	(19,977)
Cash at beginning of year	3,369	23,346
Cash at end of year	\$ 880	\$ 3,369
Supplemental disclosures of cash flows information:		
Cash paid for interest	\$ 688	\$ 0

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

DISALLE SECURITIES AND MORTGAGE CO.
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2006 and 2005

Note 1 -

Significant accounting policies

Nature of business

The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD), engaged in the sale of limited partnership interests through direct participation programs. The Company participated in three new offerings during the year with a concentration in Northwest Ohio.

Marketable securities

In accordance with industry accounting practices, marketable securities are carried at market value and any unrealized gain or loss is recognized currently in income. One hundred percent of the marketable securities held at market value consists of common stock of Fifth Third Bankcorp at December 31, 2006. The cost of the Fifth Third Bankcorp stock was \$341,867 and \$285,625 and the accumulated appreciation of the Fifth Third Bankcorp stock was \$1,172,702 and \$1,055,640 at December 31, 2006 and 2005, respectively.

The Company purchased non-marketable securities consisting of non-trading stock and warrants to purchase more shares of the non-trading stock during 2000. These securities were carried at a total cost of \$46,100 at the end of 2001, which approximated market value. The cost of the shares purchased was \$26,000 and the cost of the warrants purchased was \$20,100. During the year ended December 31, 2002, the stock began trading on the over-the-counter bulletin board. The market value of the stock at December 31, 2002 was less than the original cost of the stock. Accordingly, an unrealized loss of 6,000 was recognized in 2002 for the stock held. For the warrants to purchase additional shares of stock, their fair value was approximated taking into consideration the trading value of the stock at December 31, 2002. After considering the cost of the warrants, and the exercise price in relation to the trading amount at December 31, 2002, the warrants were considered to be worthless, and were written down to a fair value of zero.

During 2003, the value of the stock fell even further. Accordingly, an unrealized loss of \$1,100 was recognized. During 2004, the value of the stock appreciated resulting in an unrealized gain of \$1,500. During 2005, the value of the stock appreciated substantially, but only after management had decided to sell all of the shares held for a loss of \$6,361. The warrants to purchase the same stock, written off in 2002 after being deemed worthless, were adjusted to an estimated fair market value of \$28,770. This value was based on the December 31, 2005 trading price less original cost and exercise price. An unrealized gain of \$8,670 was recorded at December 31, 2005.

During 2006, prior to the warrants exercise expiration date of June 2006, the company exercised all 1,500 of its warrants and subsequently sold all shares at a loss of \$4,763.

Revenue recognition

Commissions are recognized as income when earned according to Private Offering Contracts, rather than when received.

DISALLE SECURITIES AND MORTGAGE CO.
NOTES TO FINANCIAL STATEMENTS-CONTINUED
December 31, 2006 and 2005

Note 1 - Significant accounting policies - Continued

Income taxes

The Company has filed an election to be treated as an S-corporation under the applicable sections of the Internal Revenue Code. Under this election, all federal and state income taxes related to the Company's operations are included in the personal income tax returns of the stockholder.

Cash and cash equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Estimates

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

Property and equipment

Property and equipment are stated at cost. Depreciation is computed under the straight-line method over the estimated useful lives of the assets. For income tax purposes, depreciation is computed using the modified accelerated cost recovery system over statutory lives. Depreciation expense for years ended December 31, 2006 and 2005 was \$92 and \$187 respectively.

Note 2 -

Related party transactions

During the years ended December 31, 2006 and 2005, the Company sold limited partnership interests in partnerships in which the Company's controlling stockholder and business manager held a direct equity position. Gross commissions earned from these sales amounted to \$159,000 and \$69,500 for 2006 and 2005, respectively.

The Company was advanced funds from a company related through common ownership and control. At December 31, 2006 and 2005, such advances totaled \$0 and \$218,644, respectively.

For the years ended December 31, 2006 and 2005, the Company was charged management fees of \$5,506 and \$22,024, respectively, by a related party, as well as rent expense of \$2,700 and \$10,800 respectively, included as part of other operating expenses.

On April 1, 2006, the sole shareholder of both the Company and the related party resolved to contribute capital to the Company to eliminate the obligation to the related party. The sole shareholder of both the Company and the related party, decided at the same time, to terminate the management agreement between the two parties, that charged management fees to the Company, that increased the obligation to the related party over the years.

DISALLE SECURITIES AND MORTGAGE CO.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
December 31, 2006 and 2005

- Note 3 - Net capital requirements**
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. Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2006 and 2005, the Company's net capital was in excess of the required capital.
- Note 4 - Other operating expenses**
The Company expenses advertising costs as incurred. Advertising costs which were \$1,561 and \$0 for the years ended December 31, 2006 and 2005, respectively, are included in the total amount of other operating expenses.
- Note 5 - Contingency**
The Company is subject to built-in gains tax on its unrealized appreciation of marketable securities as of the date of conversion to an S-corporation, October 1, 1998. The built-in gains tax is imposed if the assets are disposed of within the 10 year period following the conversion date. At December 31, 2006 and 2005, the maximum estimated built-in gains tax liability on unrealized appreciation of marketable securities is approximately \$381,000 calculated at a 35% built-in gains tax rate. Management intends to hold the investment in marketable securities throughout the 10 year period therefore, no built-in gains tax is expected to be imposed. Accordingly, no deferred tax liability has been reflected in the financial statements at December 31, 2006 and 2005.
- Note 6 - Cash flows information**
Supplemental disclosure of non-cash transactions:
In 2006, the sole shareholder of the Company contributed capital in excess of stated value to eliminate the obligation to a company related through common ownership in the amount of \$228,189.

SUPPLEMENTAL INFORMATION

DISALLE SECURITIES AND MORTGAGE CO.
COMPUTATION OF NET CAPITAL UNDER
RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Net capital		
Total ownership equity from statement of financial condition	\$ 1,553,204	\$ 1,171,001
Deduct nonallowable assets	<u>2,703</u>	<u>2,637</u>
Net capital before haircuts on security positions	1,550,501	1,168,364
 Haircuts on securities		
Trading and investment securities	227,185	201,190
Undue concentration	<u>225,685</u>	<u>199,690</u>
Net capital	<u>\$ 1,097,630</u>	<u>\$ 767,484</u>
 Aggregate indebtedness		
Total liabilities from statement of financial condition	<u>\$ 24,750</u>	<u>\$ 218,644</u>
 Computation of net capital requirement		
Minimum dollar net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
 Excess net capital	<u>\$ 1,092,630</u>	<u>\$ 753,388</u>
 Excess net capital at 1000%	<u>\$ 1,095,155</u>	<u>\$ 745,620</u>
 Percentage of aggregate indebtedness to net capital	<u>2.25%</u>	<u>28.49%</u>
 Reconciliation with Company's computation of net capital		
Net capital, as reported in Company's Part II-A FOCUS Report	\$ 1,077,382	\$ 767,395
Increase in total ownership equity due to auditors' year end adjustments	<u>20,248</u>	<u>89</u>
Net capital per above	<u>\$ 1,097,630</u>	<u>\$ 767,484</u>

**DISALLE SECURITIES AND MORTGAGE CO.
STATEMENT REGARDING EXEMPTION FROM
REQUIREMENTS OF SEC RULE 15c3-3
December 31, 2006 and 2005**

DiSalle Securities and Mortgage Co. is engaged in the sale of Direct Participation Programs. It conforms to the exemption provision under Rule 15c3-3, by not collecting nor holding funds or securities for, nor owing money or securities to customers.

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Maumee, Ohio 43537-3836
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www.wvco.com

WILLIAM VAUGHAN
COMPANY
Certified Public Accountants & Business Consultants

Gregory J. Arndt, CPA, CFE
William J. Horst, CPA, CMA
David J. Baymiller, CPA
Jack C. Hagemeyer, CPA
William L. Vaughan, CPA

**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
DiSalle Securities and Mortgage Co.
Maumee, Ohio

In planning and performing our audit of the financial statements and supplementary information of DiSalle Securities and Mortgage Co. (the Company) for the years ended December 31, 2006 and 2005, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included 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 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 the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. 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, 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses.

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, as described in the second paragraph of this report, 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, 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.

William Vaughan Company

February 20, 2007

END