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

MAIL RECEIVED  
 FEB 28 2007  
 WASH. D.C. 186 SECTION

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: Riverbank Capital Securities, Inc.

OFFICIAL USE ONLY  
 FIRM I.D. NO.

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

689 Fifth Avenue, 14th Floor

(No. and Street)

New York

(City)

New York

(State)

10022

(Zip Code)

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

Scott Navins

212-871-7965

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Hays & Company LLP

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

477 Madison Avenue

(Address)

New York

(City)

New York

(State)

10022

(Zip Code)

CHECK ONE:

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

PROCESSED  
 APR 11 2007  
 THOMSON FINANCIAL

**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)

AB 3/28

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OATH OR AFFIRMATION

I, David M. Tanen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Riverbank Capital Securities, 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

Secretary  
Title



SUBHIA MICHAEL  
Notary Public, State of New York  
No. 01M18135952  
Qualified in Kings County  
Commission Expires 10/31/2009

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 ~~Change in Financial Position~~ 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).

**RIVERBANK CAPITAL SECURITIES, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2006**

**RIVERBANK CAPITAL SECURITIES, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2006**

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# Hays & Company LLP

DAVID A. LIFSON, CPA  
EDWARD A. KUCZMARSKI, CPA  
JOHN A. BASILE, CPA  
RONALD B. HEGT, CPA  
STUART M. FRIEDMAN, CPA  
CAROL S. MESSMAN, CPA  
TIMOTHY H. BOEHMER, CPA

CERTIFIED PUBLIC ACCOUNTANTS  
Globally: MOORE STEPHENS HAYS LLP

477 MADISON AVENUE  
NEW YORK, NY 10022-5892  
TELEPHONE: 212-572-5500  
FACSIMILE: 212-572-5572  
[www.haysco.com](http://www.haysco.com)

To the Stockholders  
Riverbank Capital Securities, Inc.

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statement of financial condition of Riverbank Capital Securities, Inc. as of December 31, 2006 and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 of the Securities Exchange Act of 1934. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 Riverbank Capital Securities, Inc. as of December 31, 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 page 8 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 Exchange Act of 1934. 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.



February 23, 2007  
New York, New York

**RIVERBANK CAPITAL SECURITIES, INC.**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2006**

**ASSETS**

Cash and cash equivalents	\$	134,668
Warrants - at fair value		286,200
Property and equipment, net of accumulated depreciation of \$12,351		28,092
Other assets		<u>17,157</u>
	\$	<u>466,117</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Liabilities**

Accrued expenses	\$	28,238
Deferred income taxes		24,500
Due to affiliate		<u>14,010</u>
Total liabilities		<u>66,748</u>

**Commitments and contingencies** (Notes 2 and 3)

**Stockholders' equity**

Common stock, \$.001 par value; 100 shares authorized, 60 issued and outstanding		-
Additional paid-in capital		60,000
Retained earnings		<u>339,369</u>
Total stockholders' equity		<u>399,369</u>
	\$	<u>466,117</u>

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

**RIVERBANK CAPITAL SECURITIES, INC.**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2006**

**Revenue**

Placement fee income	\$	443,970
Interest		14,034
Unrealized appreciation on warrants		<u>157,489</u>
		<u>615,493</u>

**Expenses**

Salaries and benefits		350,002
Professional fees		94,227
Rent and occupancy		64,757
Regulatory fees		20,069
Office expenses		13,884
Other operating expenses		<u>9,177</u>
		<u>552,116</u>

**Income before provision for income taxes**

63,377

Provision for income taxes

30,892

**Net income**

\$ 32,485

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

**RIVERBANK CAPITAL SECURITIES, INC.**  
**STATEMENT OF STOCKHOLDERS' EQUITY**  
**YEAR ENDED DECEMBER 31, 2006**

	<u>Common Stock</u>		Additional paid-in capital	Retained earnings	Stockholders' equity
	Number of shares	Amount			
Balance at December 31, 2005	60	\$ -	\$ 60,000	\$ 306,884	\$ 366,884
Net income, year ended December 31, 2006	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,485</u>	<u>32,485</u>
Balance at December 31, 2006	<u>60</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 339,369</u>	<u>\$ 399,369</u>

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

**RIVERBANK CAPITAL SECURITIES, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2006**

**INCREASE (DECREASE) IN CASH**

**Cash flows from operating activities**

Net income \$ 32,485

**Adjustments to reconcile net income to net cash used in operating activities**

Depreciation 13,280  
Unrealized appreciation on warrants (157,489)  
Deferred income taxes 24,500  
Loss on sale of equipment 3,027

**Changes in operating assets and liabilities**

Other assets (8,488)  
Accrued expenses (30,759)  
Due to affiliate (155,188)

**Net cash used in operating activities** (278,632)

**Cash flows from investing activities**

Purchase of property and equipment (27,644)  
Proceeds from sale of equipment 10,220

**Net cash used in investing activities** (17,424)

**Net decrease in cash** (296,056)

**Cash, beginning of the year** 430,724

**Cash, end of the year** \$ 134,668

**Supplemental disclosure of cash flow information**

Income taxes paid \$ 39,080

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

**RIVERBANK CAPITAL SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**1 Significant accounting policies**

**The Company**

Riverbank Capital Securities, Inc. (the "Company") was incorporated under the laws of the State of Delaware on October 5, 2004 and is registered as a broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc. The Company carries no customer funds or securities and therefore is exempt from Rule 15c3-3 of the Securities and Exchange Commission.

The Company is engaged as an agent in the private placement of securities and provides advisory services in connection with merger and acquisition transactions.

**Use of estimates**

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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Concentration of credit risk**

The Company maintains cash in bank deposit accounts which, at times, exceed federally insured limits. The Company has not experienced any losses on these accounts and believes it is not exposed to any significant risk on cash.

**Cash and cash equivalents**

The Company considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents.

**Property and equipment**

Property and equipment are stated at cost. Maintenance and repairs are charged to expense as incurred. Additions, improvements and replacements are capitalized. Depreciation of property and equipment is provided for by the straight-line method over the estimated useful lives of the related assets.

**Revenue recognition**

Private placement fees are recorded at the time the revenue is earned and no longer subject to negotiation or refund.

During 2005 and 2006, the Company received warrants in connection with private placements of securities. The value of the warrants has been estimated by management in the absence of a readily ascertainable market value. Because of the inherent uncertainty of valuation, the estimated value may differ significantly from the value that would have been used had a ready market for the warrants existed, and the difference could be material.

**RIVERBANK CAPITAL SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**1 Significant accounting policies (continued)**

**Income taxes**

The Company has elected to be treated as a Subchapter S Corporation for Federal and New York State income tax purposes. As such, no provision is made for Federal and State income taxes since such liabilities are the responsibility of the individual stockholders. A provision is made for local New York City Corporation Tax.

Deferred New York City income taxes are recorded to reflect the tax consequences on future years for differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end. These taxes are calculated based on the tax rates, which will be in effect when these temporary differences are expected to reverse and based on the tax laws as liability for deferred taxes. A valuation allowance is required against deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets may not be realized.

The income tax returns of the Company are subject to examination by federal, state and city taxing authorities. Such examinations could result in adjustments to net income, which changes could affect the income tax liability of the individual stockholders.

**2 Related party transactions**

The Company entered into an Office Services Agreement with an affiliate in which the affiliate provides payroll, office and administrative services to the Company. The Company reimburses the affiliate for its share of such expenses. For the year ended December 31, 2006, reimbursable expenses amounted to \$407,939, of which \$14,010 is unpaid at December 31, 2006.

The financial condition and result of operations of the Company, as reported, are not necessarily indicative of the results that would have been reported had the Company operated completely independently.

**3 Net capital requirements**

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule 15c3-1 of the SEC, which requires the maintenance of minimum net capital, as defined, of 6-2/3% of aggregate indebtedness, as defined, or \$5,000, whichever is greater. Net capital and aggregate indebtedness change from day to day, but as of December 31, 2006, the Company had net capital of \$89,940, which exceeded the requirement by \$84,659.

**RIVERBANK CAPITAL SECURITIES, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**4 . Income taxes**

Provision for income taxes for the year ended December 31, 2006 consists of the following:

New York City - current	\$	6,392
New York City - deferred		<u>24,500</u>
	\$	<u>30,892</u>

Temporary differences that give rise to deferred tax assets and liabilities consist of (i) unrealized gains and losses on warrants, (ii) accelerated depreciation, and (iii) organizational costs capitalized for income tax purposes.

**RIVERBANK CAPITAL SECURITIES, INC.**

**SUPPLEMENTARY INFORMATION**

**COMPUTATION OF NET CAPITAL REQUIRED BY  
RULE 15c3-1 OF THE SECURITIES EXCHANGE COMMISSION**

**DECEMBER 31, 2006**

Stockholders' equity	\$ 399,369
Deferred income tax liability	<u>24,500</u>
	423,869
Less non allowable assets:	
Warrants - at fair value	(286,200)
Property and equipment, net	(28,092)
Other assets	<u>(17,157)</u>
<b>Total net capital before haircuts</b>	92,420
Less haircuts on securities	
Money market funds	<u>(2,480)</u>
<b>Net capital</b>	<u>\$ 89,940</u>
Minimum net capital requirement (the greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>\$ 5,000</u>
Excess net capital	<u>\$ 84,940</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u>\$ 85,715</u>
<b>AGGREGATE INDEBTEDNESS</b>	
Total aggregate indebtedness	<u>\$ 42,248</u>
Ratio of aggregate indebtedness to net capital	<u>47:1</u>

There were no material differences between the above calculation of net capital and the net capital as reported in the Company's part IIA of the FOCUS report Form X-17A-5.

The Company claims an exemption to the provisions of Rule 15c3-3 of the Securities and Exchange Commission under paragraph (k)(2)(i) of the Rule.

All other disclosures required under Rule 17a-5 of the Securities and Exchange Commission are not applicable to the Company.

# Hays & Company LLP

DAVID A. LIFSON, CPA  
EDWARD A. KUCZMARSKI, CPA  
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RONALD B. HEGT, CPA  
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CERTIFIED PUBLIC ACCOUNTANTS  
Globally: MOORE STEPHENS HAYS LLP

477 MADISON AVENUE  
NEW YORK, NY 10022-5892  
TELEPHONE: 212-572-5500  
FACSIMILE: 212-572-5572  
[www.haysco.com](http://www.haysco.com)

To the Stockholders  
Riverbank Capital Securities, Inc.

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL REQUIRED BY RULE 17a-5 OF THE SECURITIES AND EXCHANGE COMMISSION FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM RULE 15c3-3**

In planning and performing our audit of the financial statements and supplemental schedules of Riverbank Capital Securities, Inc. (the "Company"), as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting 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 and 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 conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

## Hays & Company LLP

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.

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, as defined above.

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 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.

Hays & Company LLP

February 23, 2007  
New York, New York

END