

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  
8-21765

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: **REGAL SECURITIES INC**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**950 MILWAUKEE AVE, STE 101**

(No. and Street)

**GLENVIEW**

(City)

**IL**

(State)

**60025**

(Zip Code)

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

**GEORGE BOKIOS**

**847 375 6059**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

**HEVIA, BEAGLES & COMPANY, PA**

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

**9400 4th St. N# 120 ST. PETESBURG**

(Address)

(City)

**FL**

(State)

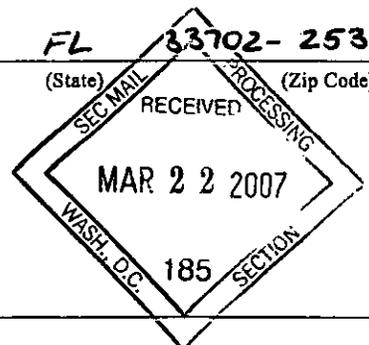
**33702-2531**

(Zip Code)

**PROCESSED**

**APR 17 2007**

**THOMSON  
FINANCIAL**



CHECK ONE:

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

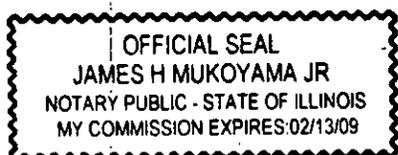
**FOR OFFICIAL USE ONLY**

\*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)

*Ch*

OATH OR AFFIRMATION

I, GEORGE BOKIOS, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of REGAL SECURITIES, INC, as of DECEMBER 31, 20 06, 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:



George Bokios  
Signature  
CHIEF FINANCIAL OFFICER  
Title

James H. Mukoyama Jr.  
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 Changes in Financial Condition.
- (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).



HEVIA, BEAGLES & COMPANY, P. A.  
PROFESSIONAL CONSULTING GROUP  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Regal Securities, Inc.  
Glenview, Illinois

We have audited the accompanying statement of financial condition of Regal Securities, Inc. as of December 31, 2006 that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 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 statement referred to above presents fairly, in all material respects, the financial position of Regal Securities, Inc. as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

*Hevia Beagles & Company*  
CERTIFIED PUBLIC ACCOUNTANTS

St. Petersburg, Florida  
February 21, 2007

**REGAL SECURITIES, INC**

**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2006**

**ASSETS**

Cash and cash equivalents	\$	2,420,127
Receivable from brokers dealers		768,475
Securities owned, marketable, at market value		585,010
Furniture, equipment and leasehold improvements, net		290,060
Intangibles, net		142,603
Other assets		<u>229,275</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>4,435,548</u></b>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Accounts payable and accrued expenses	\$	752,189
Income taxes payable		<u>21,000</u>
		773,189
Subordinated Borrowings		<u>158,447</u>
<b>Total Liabilities</b>		<b><u>931,636</u></b>
Commitments and Contingencies		
Stockholders' Equity		
Common stock, \$10 par value; authorized 50,000 shares; issued and outstanding 2,625 shares		26,250
Additional paid-in-capital		1,399,750
Accumulated income		<u>2,077,912</u>
<b>Total Stockholders' Equity</b>		<b><u>3,503,912</u></b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$</b>	<b><u>4,435,548</u></b>

**REGAL SECURITIES, INC.**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

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**Note 1. Nature of Business and Significant Accounting Policies**

Regal Securities, Inc., ("Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC). The Company is engaged in agency transactions in securities on behalf of customers and other related activities. The Company's customer securities transactions are cleared through another broker-dealer on a fully disclosed basis.

The Company operates under the provisions of Paragraph (k)(2)(ii) of rule 15c3-3 of the Securities and Exchange Commission and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Company clears all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer, and promptly transmits all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

Significant accounting policies are as follows:

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents: The Company considers all highly liquid debt instruments purchased with original maturities of less than ninety days to be cash equivalents. The Company maintains at various financial institutions cash and cash equivalents which may exceed federally insured amounts at times and which may at times significantly exceed reported amounts due to outstanding checks.

Securities owned, marketable, at market value: Marketable securities are valued at fair market value.

Furniture, equipment and leasehold improvements: Furniture and equipment are recorded at cost and depreciated on accelerated methods over the estimated useful lives of the assets. Depreciation expense on assets acquired under capital lease is included with depreciation expense on owned assets. Leasehold improvements are amortized on a straight-line basis over the lease term.

Intangible assets: The Company adopted Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets". Intangible assets consisting of purchased customer accounts are being amortized over five years, their estimated useful lives. These assets are reviewed for impairment annually or more frequently if certain indicators arise.

Income taxes: The Company, with the consent of its stockholders, has elected to be taxed under sections of the federal income tax laws which provide that in lieu of corporate income taxes, the stockholders separately account for their pro rata shares of the Company's items of income, deduction, losses and credits. Therefore, these statements do not include any provision for federal corporate income taxes.

REGAL SECURITIES, INC

NOTES TO STATEMENT OF FINANCIAL CONDITION

Note 2. Receivable from broker-dealer

The amounts due from broker-dealer at December 31, 2006, are comprised of the following:

Commissions, interest and rebates receivable from broker-dealers	\$ 732,814
Deposits	35,661
	<u>\$ 768,475</u>

Note 3. Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements at December 31, 2006, consist of:

	Furniture	Equipment	Leasehold Improvements	Total
Cost	\$ 259,752	\$ 1,432,632	\$ 106,258	\$ 1,798,642
Accumulated depreciation and amortization	(210,667)	(1,279,907)	(18,008)	(1,508,582)
Net	<u>\$ 49,085</u>	<u>\$ 152,725</u>	<u>\$ 88,250</u>	<u>\$ 290,060</u>

Depreciation and amortization expense for the year ended December 31, 2006, amounted to \$99,409.

Note 4. Intangible Assets:

Amortizable intangible assets consist of the following:

	Gross Carrying Amount	Accumulated Amortization
Customer Accounts	\$158,447	\$15,844

Amortization expense for the year ended December 31, 2006 was \$ 15,844

Estimated Future Amortization Expense:

2007	\$31,689
2008	\$31,689
2009	\$31,689
2010	\$31,689
2011	\$15,847

**REGAL SECURITIES, INC**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

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**Note 5. Employee Benefit Plans**

The Company has a SIMPLE IRA plan for its employees. Employees are qualified to participate in the pension plan after one year of service. The Company matches 100% of each employee's contribution up to 3%, which is 100% vested. Pension expense for the year was \$46,926.

**Note 6. Securities Owned**

Marketable securities owned consist of trading and investment securities at market value as follows:

19,000 common shares of The NASDAQ Stock Market, Inc      \$585,010

**Note 7. Commitments and Contingencies**

The Company leases office space and a copier under various noncancelable operating leases expiring through March 2011. Minimum annual rentals under these leases, exclusive of additional payments which may be required for certain increases in operating and maintenance costs, are as follows:

**Years ending December 31:**

2007	\$ 216,400
2008	204,598
2009	210,022
2010	215,609
2011	143,333
	<u>\$ 989,962</u>

**Note 8. Subordinated Borrowings**

The borrowings under subordination agreements at December 31, 2006 consist of a 6% subordinated note payable to Penson Financial Services, Inc. maturing January 2013, payable in monthly installments commencing January 2007. Future maturities of this obligation are as follows:

**Years ending December 31:**

2007	\$ 22,620
2008	24,015
2009	25,496
2010	27,068
2011	28,738
Thereafter	<u>30,510</u>
Total	<u>\$ 158,447</u>

**REGAL SECURITIES, INC**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**

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The subordinated borrowings are available in computing net capital under the SEC Uniform Net Capital Rule to the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, they may not be repaid.

The carrying amount of subordinated borrowings approximates fair value due to borrowings at market value.

**Note 9. Financial Instruments with Off-Balance Sheet Risk**

As discussed in Note 1, the Company's customers' securities transactions are cleared on a fully disclosed basis by its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customer transactions. Off-balance sheet risk exists with respect to these transactions due to the possibility that customers may be unable to fulfill their contractual commitments wherein the clearing broker-dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the creditworthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer.

The Company does not anticipate nonperformance by customers or its clearing brokers. In addition, the Company has a policy of reviewing, as considered necessary, the clearing brokers with which it conducts business.

**Note 10. Net Capital Requirements**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both defined, shall not exceed 15 to 1. Rule 15c-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, the Company had net capital and net capital requirements of \$2,849,859 and \$100,000, respectively. The Company's net capital ratio was .27 to 1 at December 31, 2006.

*END*