



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

OMB APPROVAL OMB Number: 3235-0123 Expires: October 31, 2004 Estimated average burden hours per response: 12.00

Form X-17A-5

FOCUS REPORT (Financial and Operational Combined Uniform Single Report) Schedule I

INFORMATION REQUIRED OF BROKERS AND DEALERS PURSUANT TO RULE 17a-5 Report for the Calendar Year 2006 of if less than 12 months



07007362

Period beginning 01/01/06 and ending 12/31/06

SEC FILE NUMBER 8-47955 8011

1. NAME OF BROKER DEALER

Ceros Broker Service, Inc.

8020

N9

OFFICIAL USE ONLY

3 7 8 6 9 8021

Firm No. M M Y Y

2. Name(s) of Broker-dealer(s) merged or with respect to during reporting period:

PROCESSED

- 3 NAME: APR 13 2007 8053
4 NAME: 8054
5 NAME: THOMSON FINANCIAL 8055
6 NAME: 8056

Table with 2 columns: NAME, OFFICIAL USE ONLY. Rows 40-43.

3. Respondent conducts a securities business exclusively with registered broker-dealers:

(enter applicable code: 1 = Yes 2 = No) 2 8073

4. Respondent is registered as a specialist on a national securities exchange.

(enter applicable code: 1 = Yes 2 = No) 2 8074

5. Respondent is registered as a specialist on a national securities exchange.

- (a) equity securities (enter applicable code: 1 = Yes 2 = No) 2 8075
(b) municipals (enter applicable code: 1 = Yes 2 = No) 2 8076
(a) other debt instruments (enter applicable code: 1 = Yes 2 = No) 2 8077

6. Respondent is registered solely as a municipal bond dealer:

(enter applicable code: 1 = Yes 2 = No) 2 8078

7. Respondent is an insurance company or an affiliate of an insurance company:

(enter applicable code: 1 = Yes 2 = No) 2 8079

8. Respondent carries its own public customer accounts:

(enter applicable code: 1 = Yes 2 = No) 2 8084

9. Respondent's total number of public customer accounts:

- (carrying firms filing X-17A-5 Part II only)
(a) Public customer accounts 0 8080
(b) Omnibus accounts 0 8081

10. Respondent clears its public customer and/or proprietary accounts:

(enter applicable code: 1 = Yes 2 = No) 2 8085

FOCUS REPORT

Schedule I

page 3

17. Respondent is a member of the Securities Investor Protection Corporation ▼¹³
(enter applicable code: 1 = Yes 2 = No) ... **8111**

18. Number of branch offices operated by respondent **8112**

19. (a) Respondent directly or indirectly controls, is controlled by, or is under
common control with, a U.S. bank
(enter applicable code: 1 = Yes 2 = No) **8130**

(b) Name of parent or affiliate

(c) Type of institution

20. Respondent is an affiliate or subsidiary of a foreign broker-dealer or bank
(enter applicable code: 1 = Yes 2 = No) **8113**

21. (a) Respondent is a subsidiary of a registered broker-dealer
(enter applicable code: 1 = Yes 2 = No) **8114**

(b) Name of parent ▼¹²

22. Respondent is a subsidiary of a parent which is not a registered broker or dealer
(enter applicable code: 1 = Yes 2 = No) **8115**

23. Respondent sends quarterly statements to customers pursuant to
10b-10(b) in lieu of daily or immediate confirmations:
(enter applicable code: 1 = Yes 2 = No)* **8117**

24. Aggregate Dollar Amount of Non-exempted OTC Sales of Exchange-Listed
Securities Done by Respondent During the Reporting Period \$ **8118**

**Required in any Schedule I filed for calendar year 1978 and succeeding years*

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

OMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
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hours per response..... 12.00

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16 2) Rule 17a-5(b) 17 3) Rule 17a-11 18

4) Special request by designated examining authority 19 5) Other 26

NAME OF BROKER-DEALER **SEC FILE NO.**
Ceros Broker Service, Inc. 8-47955 14

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.) **FIRM I.D. NO.**
866 E. Sixth Street, Unit 4 37869 15

(No. and Street)

South Boston 21 MA 22 02127 23 **FOR PERIOD BEGINNING (MM/DD/YY)**
(City) (State) (Zip Code) 1/1/2006 24

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT **(Area Code) — Telephone No.**
Mark Hausman, President 617-315-7347 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT: **OFFICIAL USE**

_____ 32 33

_____ 34 35

_____ 36 37

_____ 38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT 42

EXECUTION:
The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 27 day of MARCH 2007
Manual signatures of:

- 1) 
Principal Executive Officer or Managing Partner
- 2) _____
Principal Financial Officer or Partner
- 3) _____
Principal Operations Officer or Partner

ATTENTION — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78:f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

Gray, Gray & Gray, LLP 70

ADDRESS

34 Southwest Park. 71 Westwood 72 MA 73 02090 74

Number and Street City State Zip Code

CHECK ONE

- Certified Public Accountant 75
- Public Accountant 76
- Accountant not resident in United States or any of its possessions 77

FOR SEC USE

| | |
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| | |
|--|--|

DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

| WORK LOCATION | REPORT DATE MM/DD/YY | DOC. SEQ. NO. | CARD | | | | |
|---------------|-------------------------|---------------|------|--|--|--|--|
| 50 | 51 | 52 | 53 | | | | |

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Ceros Broker Service, Inc.**

N3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) **12/31/06**

SEC FILE NO. _____

| | |
|----------------|-----|
| | 99 |
| Consolidated | 98 |
| Unconsolidated | 198 |
| | 199 |

| | Allowable | | Non-Allowable | | Total |
|--|------------|-----|---------------|--|----------------|
| 1. Cash | \$ 103,914 | 200 | | | \$ 103,914 750 |
| 2. Receivables from brokers or dealers: | | | | | |
| A. Clearance account | 102,391 | 295 | | | |
| B. Other | | 300 | \$ 550 | | 102,391 810 |
| 3. Receivable from non-customers | | 355 | 600 | | 955 |
| 4. Securities and spot commodities owned at market value: | | | | | |
| A. Exempted securities | | 418 | | | |
| B. Debt securities | | 419 | | | |
| C. Options | | 420 | | | |
| D. Other securities | | 424 | | | |
| E. Spot commodities | | 430 | | | 850 |
| 5. Securities and/or other investments not readily marketable: | | | | | |
| A. At cost $\frac{1}{2}$ \$ | 130 | | | | |
| B. At estimated fair value | | 440 | 610 | | 850 |
| 6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value: | | | | | |
| A. Exempted securities \$ | 150 | | | | |
| B. Other securities \$ | 160 | | | | |
| 7. Secured demand notes: | | 470 | 640 | | 890 |
| Market value of collateral: | | | | | |
| A. Exempted securities \$ | 170 | | | | |
| B. Other securities \$ | 180 | | | | |
| 8. Memberships in exchanges: | | | | | |
| A. Owned, at market \$ | 190 | | | | |
| B. Owned, at cost | | | 650 | | |
| C. Contributed for use of the company, at market value | | | 660 | | 900 |
| 9. Investment in and receivables from affiliates, subsidiaries and associated partnerships | | 480 | 670 | | 910 |
| 10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization | | 490 | 680 | | 920 |
| 11. Other assets | 3,442 | 535 | 735 | | 3,442 930 |
| 12. TOTAL ASSETS | \$ 209,747 | 540 | \$ 740 | | \$ 209,747 940 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **Ceros Broker Service Inc.**

as of 12/31/06

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

| Liabilities | A.I. Liabilities | Non-A.I. Liabilities | Total |
|--|---------------------|-------------------------|--------------------|
| 13. Bank loans payable | \$ 1045 | \$ 1255 ¹³ | \$ 1470 |
| 14. Payable to brokers or dealers: | | | |
| A. Clearance account | 1114 | 1315 | 1560 |
| B. Other | 1115 ¹⁰ | 1305 | 1540 |
| 15. Payable to non-customers | 1155 | 1355 | 1610 |
| 16. Securities sold not yet purchased, at market value | | 1360 | 1620 |
| 17. Accounts payable, accrued liabilities, expenses and other | 29,172 1205 | 1385 | 29,172 1685 |
| 18. Notes and mortgages payable: | | | |
| A. Unsecured | 1210 | | 1690 |
| B. Secured | 1211 ¹² | 1390 ¹⁴ | 1700 |
| 19. E. Liabilities subordinated to claims of general creditors: | | | |
| A. Cash borrowings: | | 1400 | 1710 |
| 1. from outsiders, \$ 970 | | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ 980 | | | |
| B. Securities borrowings, at market value | | 1410 | 1720 |
| from outsiders \$ 990 | | | |
| C. Pursuant to secured demand note collateral agreements | | 1420 | 1730 |
| 1. from outsiders \$ 1000 | | | |
| 2. includes equity subordination (15c3-1(d)) of ... \$ 1010 | | | |
| D. Exchange memberships contributed for use of company, at market value | | 1430 | 1740 |
| E. Accounts and other borrowings not qualified for net capital purposes | 1220 | 1440 | 1750 |
| 20. TOTAL LIABILITIES | \$ 1230 | \$ 1450 | \$ 29,172 1760 |
| Ownership Equity | | | |
| 21. Sole Proprietorship | | | 1770 ¹⁵ |
| 22. Partnership (limited partners) | (\$ 1020) | | 1780 |
| 23. Corporation: | | | |
| A. Preferred stock | | | 1791 |
| B. Common stock | | 150,000 | 1792 |
| C. Additional paid-in capital | | | 1793 |
| D. Retained earnings | | 30,575 | 1794 |
| E. Total | | 180,575 | 1795 |
| F. Less capital stock in treasury | | | 1796 ¹⁶ |
| 24. TOTAL OWNERSHIP EQUITY | | | \$ 180,575 1800 |
| 25. TOTAL LIABILITIES AND OWNERSHIP EQUITY | | | \$ 209,747 1810 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER Ceros Broker Service Inc.

as of 12/31/06

COMPUTATION OF NET CAPITAL

| | | | | |
|--|----|---------|---|------|
| 1. Total ownership equity from Statement of Financial Condition | \$ | 180,575 | | 3480 |
| 2. Deduct ownership equity not allowable for Net Capital | 19 | |) | 3490 |
| 3. Total ownership equity qualified for Net Capital | | 180,575 | | 3500 |
| 4. Add: | | | | |
| A. Liabilities subordinated to claims of general creditors allowable in computation of net capital | | 0 | | 3520 |
| B. Other (deductions) or allowable credits (List) | | 0 | | 3525 |
| 5. Total capital and allowable subordinated liabilities | \$ | 180,575 | | 3530 |
| 6. Deductions and/or charges: | | | | |
| A. Total non-allowable assets from | | | | |
| Statement of Financial Condition (Notes B and C) | 17 | \$ | | 3540 |
| B. Secured demand note delinquency | | | | 3590 |
| C. Commodity futures contracts and spot commodities – proprietary capital charges | | | | 3600 |
| D. Other deductions and/or charges | | | | 3610 |
| 7. Other additions and/or allowable credits (List) | | |) | 3620 |
| 8. Net capital before haircuts on securities positions | 20 | | | 3630 |
| 9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)): | | | | |
| A. Contractual securities commitments | \$ | | | 3660 |
| B. Subordinated securities borrowings | | | | 3670 |
| C. Trading and investment securities: | | | | |
| 1. Exempted securities | 18 | | | 3735 |
| 2. Debt securities | | | | 3733 |
| 3. Options | | | | 3730 |
| 4. Other securities | | | | 3734 |
| D. Undue Concentration | | | | 3650 |
| E. Other (List) | | | | 3736 |
| 10. Net Capital | \$ | 180,575 | | 3750 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

Ceros Broker Service Inc.

 as of 12/31/06

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

| | | |
|---|----|--------------|
| 11. Minimum net capital required (6 2/3% of line 19) | \$ | 3756 |
| 12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | | 0 |
| 13. Net capital requirement (greater of line 11 or 12) | \$ | 5,000 3758 |
| 14. Excess net capital (line 10 less 13) | \$ | 5,000 3760 |
| 15. Excess net capital at 1000% (line 10 less 10% of line 19) | \$ | 180,575 3770 |
| | % | 180,575 3780 |

COMPUTATION OF AGGREGATE INDEBTEDNESS

| | | |
|--|----|-------------|
| 16. Total A.I. liabilities from Statement of Financial Condition | \$ | 29,172 3790 |
| 17. Add: | | |
| A. Drafts for immediate credit | \$ | 3800 |
| B. Market value of securities borrowed for which no equivalent value is paid or credited | \$ | 3810 |
| C. Other unrecorded amounts (List) | \$ | 3820 |
| 18. Total aggregate indebtedness | \$ | 29,172 3840 |
| 19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) | % | 20.18 3850 |
| 20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | % | 20.18 3860 |

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

| | | |
|--|----|------|
| 21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits | \$ | 3970 |
| 22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) | \$ | 3880 |
| 23. Net capital requirement (greater of line 21 or 22) | \$ | 3760 |
| 24. Excess capital (line 10 less 23) | \$ | 3910 |
| 25. Net capital in excess of the greater of: | | |
| A. 5% of combined aggregate debit items or \$120,000 | \$ | 3920 |

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Ceros Broker Service Inc.

For the period (MMDDYY) from 01/01/06 3932 to 12/31/06 3933
Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

| | | | |
|---|------------|------|--|
| 1. Commissions: | | | |
| a. Commissions on transactions in exchange listed equity securities executed on an exchange | \$ 199,725 | 3935 | |
| b. Commissions on listed option transactions | 101,775 | 3938 | |
| c. All other securities commissions | 560,082 | 3939 | |
| d. Total securities commissions | 861,582 | 3940 | |
| 2. Gains or losses on firm securities trading accounts | | | |
| a. From market making in options on a national securities exchange | | 3945 | |
| b. From all other trading | | 3949 | |
| c. Total gain (loss) | | 3950 | |
| 3. Gains or losses on firm securities investment accounts | | 3952 | |
| 4. Profit (loss) from underwriting and selling groups | | 3955 | |
| 5. Revenue from sale of investment company shares | | 3970 | |
| 6. Commodities revenue | | 3990 | |
| 7. Fees for account supervision, investment advisory and administrative services | 27,200 | 3975 | |
| 8. Other revenue | | 3995 | |
| 9. Total revenue | \$ 888,782 | 4030 | |

EXPENSES

| | | | |
|--|------------|------|--|
| 10. Salaries and other employment costs for general partners and voting stockholder officers | 65,280 | 4120 | |
| 11. Other employee compensation and benefits | | 4115 | |
| 12. Commissions paid to other broker-dealers | 473,591 | 4140 | |
| 13. Interest expense | | 4075 | |
| a. Includes interest on accounts subject to subordination agreements | 4070 | | |
| 14. Regulatory fees and expenses | 7,520 | 4195 | |
| 15. Other expenses | 306,707 | 4100 | |
| 16. Total expenses | \$ 853,098 | 4200 | |

NET INCOME

| | | | |
|---|-----------|------|--|
| 17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16) | \$ 35,684 | 4210 | |
| 18. Provision for Federal income taxes (for parent only) | 5400 | 4220 | |
| 19. Equity in earnings (losses) of unconsolidated subsidiaries not included above | | 4222 | |
| a. After Federal income taxes of | 4338 | | |
| 20. Extraordinary gains (losses) | | 4224 | |
| a. After Federal income taxes of | 4239 | | |
| 21. Cumulative effect of changes in accounting principles | | 4225 | |
| 22. Net income (loss) after Federal income taxes and extraordinary items | \$ 30,284 | 4230 | |

MONTHLY INCOME

| | | | |
|---|----|------|--|
| 23. Income (current month only) before provision for Federal income taxes and extraordinary items | \$ | 4211 | |
|---|----|------|--|

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER Ceros Broker Service Inc.

For the period (MMDDYY) from 01/01/06 to 12/31/06

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

| | | | |
|---|----|------|------|
| 1. Balance, beginning of period | \$ | | 4240 |
| A. Net income (loss) | | | 4250 |
| B. Additions (includes non-conforming capital of | \$ | 4262 | 4260 |
| C. Deductions (includes non-conforming capital of | \$ | 4272 | 4270 |
| 2. Balance, end of period (From item 1800) | \$ | | 4290 |

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

| | | | |
|--|----|---------|------|
| 3. Balance, beginning of period | \$ | 150,291 | 4300 |
| A. Increases | | 30,284 | 4310 |
| B. Decreases | | | 4320 |
| 4. Balance, end of period (From item 3520) | \$ | 180,575 | 4330 |

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER **Ceros Broker Service Inc.** as of 12/31/06

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 4550
- B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained 4560
- C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name of clearing firm³⁰ SEC 17574 4335 X 4570
- D. (k)(3) — Exempted by order of the Commission (include copy of letter) 4580

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

| Type of Proposed Withdrawal or Accrual (See below for code) | Name of Lender or Contributor | Insider or Outsider? (In or Out) | Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities) | (MMDDYY) Withdrawal or Maturity Date | Expect to Renew (Yes or No) | |
|---|-------------------------------|----------------------------------|---|--------------------------------------|-----------------------------|------|
| 31 | 4600 | 4601 | 4602 | 4603 | 4604 | 4605 |
| 32 | 4610 | 4611 | 4612 | 4613 | 4614 | 4615 |
| 33 | 4620 | 4621 | 4622 | 4623 | 4624 | 4625 |
| 34 | 4630 | 4631 | 4632 | 4633 | 4634 | 4635 |
| 35 | 4640 | 4641 | 4642 | 4643 | 4644 | 4645 |
| | | | Total \$ ³⁶ | 4699 | | |

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

| WITHDRAWAL CODE: | DESCRIPTIONS |
|------------------|--------------------------|
| 1. | Equity Capital |
| 2. | Subordinated Liabilities |
| 3. | Accruals |

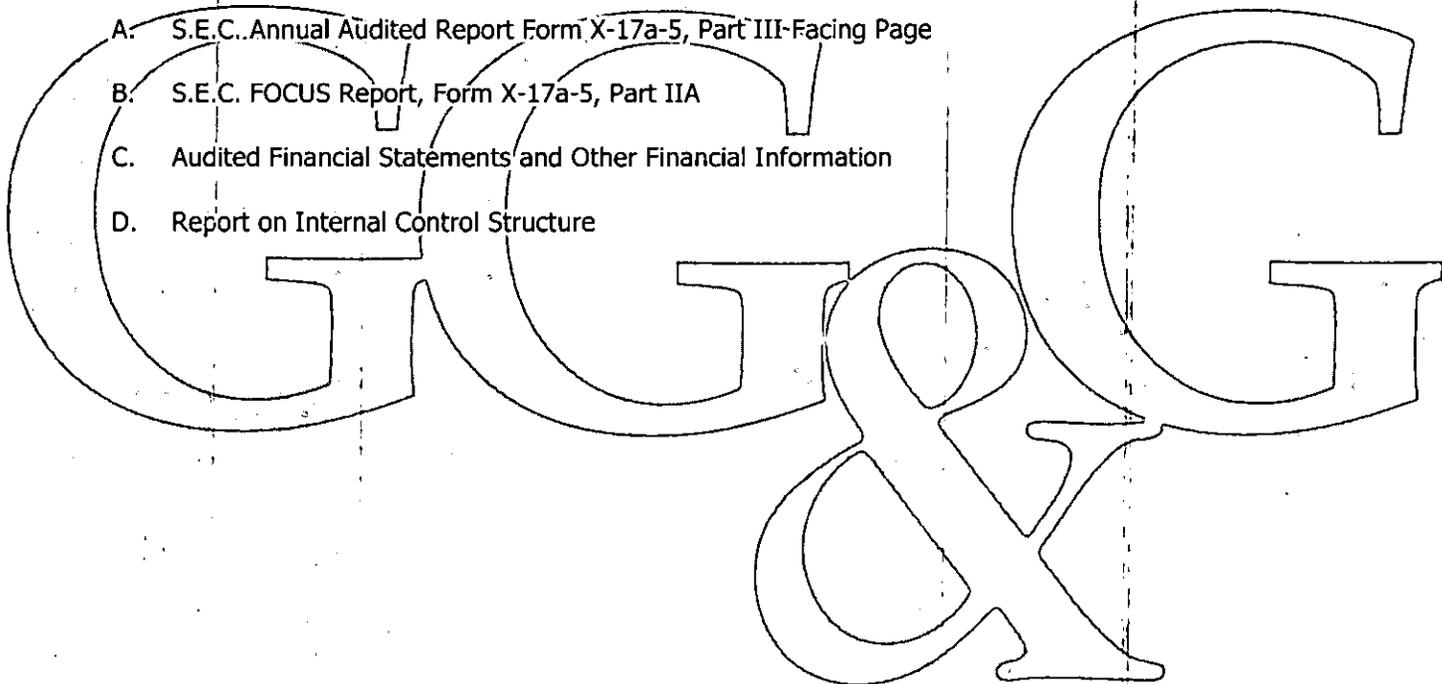
CEROS BROKER SERVICE, INC.

REGULATORY REPORTS

DECEMBER 31, 2006

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- D. Report on Internal Control Structure





CERTIFIED PUBLIC ACCOUNTANTS
VISION • DIRECTION • SUCCESS

Securities and Exchange Commission
73 Tremont Street - Suite 600
Boston, MA 02108-3912

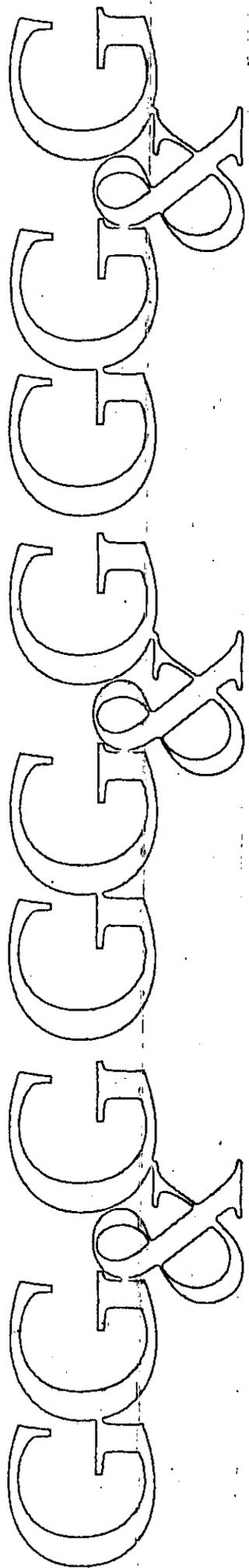
We have audited the Focus Report of **Ceros Broker Service, Inc.** as of December 31, 2006. The audit was made in accordance with auditing standards generally accepted in the United States of America and, accordingly, includes a review of the system of internal control, the procedures employed for safeguarding securities, the practices and procedures employed in complying with rule 17a-13 and in the resolution of securities differences, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including the auditing procedures prescribed by the Securities and Exchange Commission. There were no material differences with respect to the computation of Net Capital under SEC Rule 15c3-1, and the computation of Determination of the Reserve Requirements under Exhibit A of Rule 15c3-3. We found no inadequacies in our audit of the above mentioned procedures and systems.

In our opinion, the Focus Report, with all supporting statements and schedules, present fairly the financial position of **Ceros Broker Service, Inc.** at December 31, 2006 in the form prescribed by the Securities and Exchange Commission, in conformity with accounting principles generally accepted in the United States of America applied on a basis consistent with that of the preceding year.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP
Gray, Gray & Gray, LLP

March 23, 2007



CEROS BROKER SERVICE, INC.

**AUDITED FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

DECEMBER 31, 2006

CEROS BROKER SERVICE, INC.

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

DECEMBER 31, 2006

AUDITED FINANCIAL STATEMENTS

| | |
|--|---|
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|---|----|
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CERTIFIED PUBLIC ACCOUNTANTS
VISION • DIRECTION • SUCCESS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Ceros Broker Service, Inc.

We have audited the accompanying statements of financial condition of **Ceros Broker Service, Inc.** as of December 31, 2006 and 2005, and the statements of operations and retained earnings and cash flows - direct method for the years 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. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 audits provide 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 **Ceros Broker Service, Inc.** as of December 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other financial information section, presented for the purposes of additional analysis, is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. 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.

GRAY, GRAY & GRAY, LLP

Gray, Gray & Gray, LLP

March 23, 2007

LIABILITIES AND STOCKHOLDER'S EQUITY

| | | December 31, | |
|---|--|-------------------|-------------------|
| | | 2006 | 2005 |
| CURRENT LIABILITIES | | | |
| Accounts payable and accrued expenses | | \$ 19,772 | \$ 11,671 |
| Accrued taxes | | 9,400 | 3,233 |
| TOTAL CURRENT LIABILITIES | | <u>29,172</u> | <u>14,904</u> |
| STOCKHOLDER'S EQUITY | | | |
| Common stock | | 150,000 | 150,000 |
| Retained earnings | | 30,575 | 291 |
| TOTAL STOCKHOLDER'S EQUITY | | <u>180,575</u> | <u>150,291</u> |
| TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY | | <u>\$ 209,747</u> | <u>\$ 165,195</u> |

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

CEROS BROKER SERVICE, INC.

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

| | <u>Year Ended December 31,</u> | |
|---|--------------------------------|-----------------|
| | <u>2006</u> | <u>2005</u> |
| INCOME | | |
| Commissions and service revenues | \$ 861,582 | \$ 698,486 |
| Management fees | 27,200 | 32,896 |
| TOTAL INCOME | <u>888,782</u> | <u>731,382</u> |
| OPERATING EXPENSES | | |
| General and administrative expenses | 848,695 | 690,543 |
| Depreciation | 403 | 985 |
| TOTAL OPERATING EXPENSES | <u>849,098</u> | <u>691,528</u> |
| NET INCOME BEFORE PROVISION FOR INCOME TAXES | 39,684 | 39,854 |
| PROVISION FOR INCOME TAXES | <u>9,400</u> | <u>2,967</u> |
| NET INCOME | 30,284 | 36,887 |
| RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR | <u>291</u> | <u>(36,596)</u> |
| RETAINED EARNINGS AT END OF YEAR | <u>\$ 30,575</u> | <u>\$ 291</u> |

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

Year Ended December 31,
2006 2005

**RECONCILIATION OF NET INCOME TO NET CASH PROVIDED
(USED) BY OPERATING ACTIVITIES:**

| | | |
|--|------------------|------------------|
| Net income | \$ 30,284 | \$ 36,887 |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: | | |
| Depreciation | 403 | 985 |
| (Increase) decrease in assets: | | |
| Prepaid expenses | 4,864 | (4,348) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 8,101 | (2,157) |
| Accrued taxes | 6,167 | 2,967 |
| TOTAL ADJUSTMENTS | 19,535 | (2,553) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | \$ 49,819 | \$ 34,334 |

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

CEROS BROKER SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 – BUSINESS

Principal Business Activity – Ceros Broker Service, Inc. is an introducing broker in the business of trading securities. The Company is a registered member of the Securities and Exchange Commission, the National Association of Securities Dealers, and is registered with various state securities commissions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment – Property and equipment are stated at cost, less accumulated depreciation. Expenditures for routine repairs and maintenance are charged to operations as they are incurred while those which significantly improve or extend the lives of existing assets are capitalized. Depreciation is computed using the straight-line and accelerated methods.

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 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.

Income Taxes – Income tax expense includes federal and state taxes currently payable and, when material, deferred taxes arising from temporary differences between income from financial reporting and tax purposes and also operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. At December 31, 2006 and 2005, deferred tax assets and liabilities were immaterial.

Commissions – Commissions and related clearing expenses are recorded on a settlement date basis as securities transactions occur.

Cash and cash equivalents – During the course of the normal business cycle the Company, at times, maintains on deposit cash balances in excess of FDIC insured limits. Cash equivalents represents investments in money market accounts in various financial institutions.

Reclassifications – Certain reclassifications, none of which affect income, have been made to the 2005 financial statements to conform to the 2006 presentation.

CEROS BROKER SERVICE, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 3 – REGULATORY REQUIREMENTS

Pursuant to net capital provision of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. Net capital may fluctuate on a daily basis. The Company had net capital, as defined, of \$142,633 and \$120,598 at December 31, 2006 and 2005, respectively. The minimum net capital requirement is \$5,000.

Exemptive Provision Under Rule 15c3-3 – The Company, as an introducing broker, is exempt under subparagraph (k)(2)(ii) of Rule 15c3-3 from maintaining a "Special Reserve Bank Account for the Exclusive Benefit of Customers".

NOTE 4 – Income Taxes

The Company's effective tax rate for the year ending December 31, 2005, is lower than would be expected if the statutory rates were applied to income from continuing operations, due to the use of net operating loss carryforwards.

NOTE 5 – RELATED PARTY TRANSACTIONS

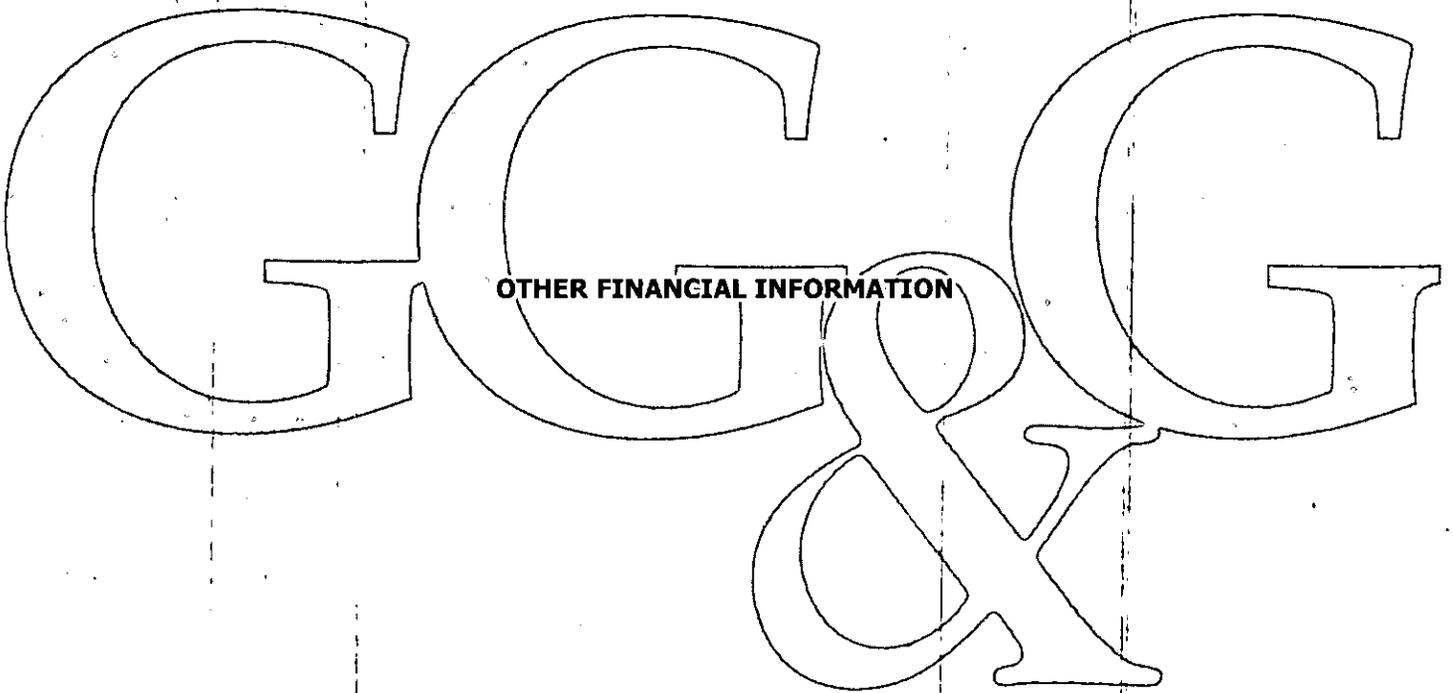
Economic Dependency – The Company is affiliated with other companies in the same line of business. Ninety-eight percent of the Company's commissions are earned from transactions with these affiliates. Per a written agreement, a foreign corporation with the same ownership refers customers who purchase securities through the Company. A significant portion (60% in 2006 and 49% in 2005) of the commissions earned, on these transactions are paid back to the foreign affiliate as commission expense.

Total commissions paid back, net of reimbursed costs totaled \$473,591 and \$339,903 for the years ended December 31, 2006 and 2005, respectively. The Company received management fees of \$27,200 and \$32,896 from an affiliate in 2006 and 2005, respectively. The management fees relate to administrative charges to the related party.

Approximately 2% and 3% of the Company's commissions are earned from entities that are related to an officer of the Company for the years ended December 31, 2006 and 2005, respectively.

NOTE 6 – CAPITAL STRUCTURE

As of December 31, 2006 and 2005, the Company had 200,000 shares of Class A voting, \$1 par value common stock authorized, and 150,000 shares issued and outstanding.



OTHER FINANCIAL INFORMATION



CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION

Board of Directors
Ceros Broker Service, Inc.

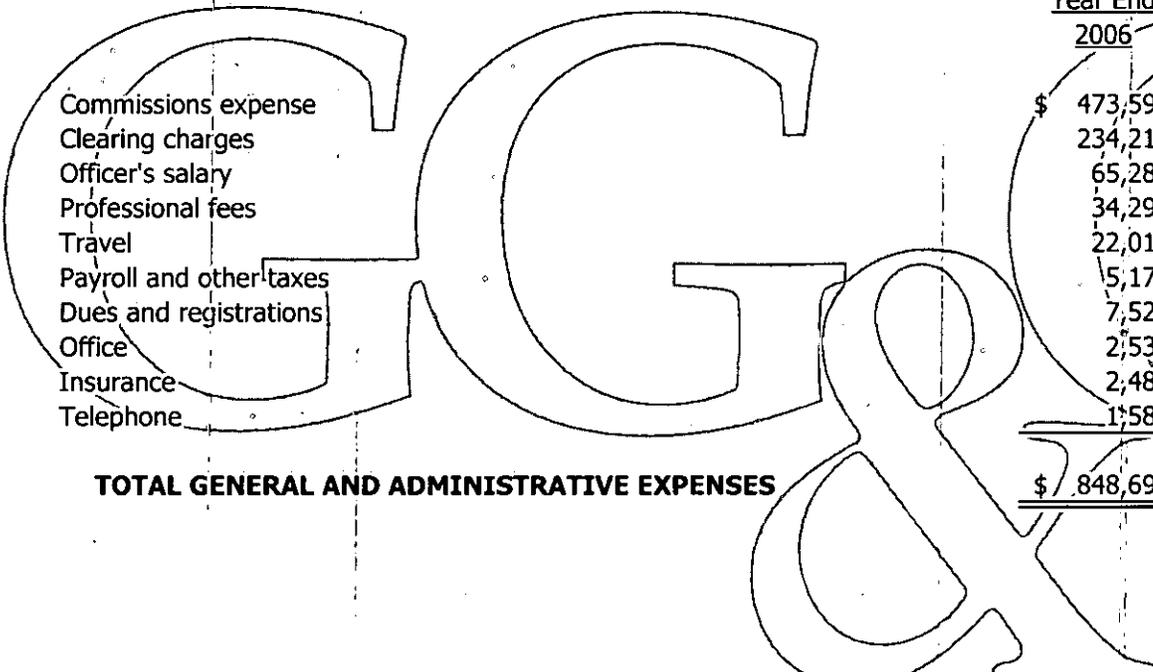
Our audits for the years ended December 31, 2006 and 2005 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

GRAY, GRAY & GRAY, LLP

March 15, 2007

CEROS BROKER SERVICE, INC.

SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES



| | Year Ended December 31, | |
|--|--------------------------|--------------------------|
| | 2006 | 2005 |
| Commissions expense | \$ 473,591 | \$ 339,903 |
| Clearing charges | 234,217 | 239,803 |
| Officer's salary | 65,280 | 65,280 |
| Professional fees | 34,296 | 26,471 |
| Travel | 22,016 | 1,193 |
| Payroll and other taxes | 5,175 | 5,863 |
| Dues and registrations | 7,520 | 2,547 |
| Office | 2,530 | 7,501 |
| Insurance | 2,489 | 758 |
| Telephone | 1,581 | 1,224 |
| TOTAL GENERAL AND ADMINISTRATIVE EXPENSES | <u>\$ 848,695</u> | <u>\$ 690,543</u> |



CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL

Board of Directors
Ceros Broker Service, Inc.

In planning and performing our audits of the financial statements of **Ceros Broker Service, Inc.** for the years ended December 31, 2006 and 2005, we considered its internal control structure, 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 structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by **Ceros Broker Service, Inc.** that we considered relevant to the objectives stated in Rule 17a-5(g); (1) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e); (2) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13; (3) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System; and (4) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining an internal control structure 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 internal control structure policies and procedures 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 Commission's above mentioned objectives. Two of the objectives of an internal control structure 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 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 any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



Board of Directors
Ceros Broker Service, Inc.
Page 2

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, we noted no matters involving the internal control structure, including procedures 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 Commission 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 Commission's objectives.

This report is intended solely for the use of the management, the Securities and Exchange Commission, the New York Stock Exchange and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

GRAY, GRAY & GRAY, LLP
Gray, Gray & Gray, LLP
Gray, Gray & Gray, LLP

March 23, 2007

END