

Rec'd
12/3/07

SECURIT



SSION

07009176

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

AB
1/23

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

SEC FILE NUMBER
8-38815

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 1/1/06 AND ENDING 12/31/06
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Devon Securities Inc.

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

OFFICIAL USE ONLY
FIRM I.D. NO.

(No. and Street)

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Penta + Co, P.C.

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

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED
JAN 28 2008
THOMSON FINANCIAL

SECURITIES AND EXCHANGE COMMISSION	
RECEIVED	
DEC 03 2007	
BRANCH OF REGISTRATIONS AND EXAMINATIONS	
02	

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)

SEC 1410 (06-02)

Potential persons who are to 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.

1/25/08

DEVON SECURITIES, INC.
ROCHESTER, NEW YORK
AUDITED FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITORS' REPORTS
DECEMBER 31, 2006 AND 2005



CONTENTS

<u>AUDITED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditors' Report	3
Statements of Financial Condition	4
Statements of Income	5
Statements of Changes in Shareholder's Equity	6
Statements of Cash Flows	7
Notes to Financial Statements	8
 <u>SUPPLEMENTARY INFORMATION</u>	
Independent Auditors' Report on Supplementary Information Required by Rule 17a-5 of the Securities and Exchange Commission	10
Computation of Net Capital Pursuant to Rule 15c3-1	11
Computation of Basic Net Capital Requirement	11
Computation of Aggregate Indebtedness	11
Reconciliation Pursuant to Rule 17a-5(d)(4)	12
Exemption from Rule 15c3-3	12
Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3	13





Penta & Co., P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Shareholder
Devon Securities, Inc.

We have audited the accompanying statement of financial condition of Devon Securities, Inc. (an S Corporation) as of December 31, 2006 and 2005 and the related statements of income, changes in shareholder's equity, and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Securities 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 audits.

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 Devon Securities, 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.

Penta & Co., P.C.

Rochester, New York
February 21, 2007

DEVON SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash, including interest-bearing account	\$ 4,379	\$ 6,418
Commissions receivable	7,481	3,248
Prepaid expenses	370	647
TOTAL CURRENT ASSETS	<u>12,230</u>	<u>10,313</u>
<u>OTHER ASSET</u>		
Non-marketable securities	---	825
	<u>\$ 12,230</u>	<u>\$ 11,138</u>

LIABILITY AND SHAREHOLDER'S EQUITY

<u>CURRENT LIABILITY</u> - Accrued expenses	\$ 2,835	\$ 860
<u>SHAREHOLDER'S EQUITY</u>		
Common stock, \$750 stated value:		
Authorized, 200 shares		
Issued and outstanding, 10 shares	7,500	7,500
Additional paid - in capital	19,945	17,761
Accumulated deficit	<u>(18,050)</u>	<u>(14,983)</u>
	<u>9,395</u>	<u>10,278</u>
	<u>\$ 12,230</u>	<u>\$ 11,138</u>

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



DEVON SECURITIES, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>COMMON STOCK</u>	<u>ADDITIONAL PAID-IN CAPITAL</u>	<u>(ACCUMULATED DEFICIT) RETAINED EARNINGS</u>	<u>TOTAL SHAREHOLDER'S EQUITY</u>
Balance at January 1, 2005	\$ 7,500	\$ 4,751	\$ 2,230	\$ 14,481
Net income	---	---	51,232	51,232
Shareholder's contributions	---	13,010	---	13,010
Shareholder's distributions	<u>---</u>	<u>---</u>	<u>(68,445)</u>	<u>(68,445)</u>
BALANCE AT DECEMBER 31, 2005	7,500	17,761	(14,983)	10,278
Net income	---	---	27,963	27,963
Shareholder's contributions	---	2,184	---	2,184
Shareholder's distributions	<u>---</u>	<u>---</u>	<u>(31,030)</u>	<u>(31,030)</u>
BALANCE AT DECEMBER 31, 2006	<u>\$ 7,500</u>	<u>\$ 19,945</u>	<u>\$ (18,050)</u>	<u>\$ 9,395</u>

() Deductions.

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



DEVON SECURITIES, INC

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Net income for the year	\$ 27,963	\$ 51,232
Adjustment to reconcile net income to net cash provided from operating activities:		
Write-down of non-marketable securities	825	825
Rent	787	1,156
Telephone	537	654
Legal and professional	860	---
Change in certain assets and liability affecting operations:		
Commissions receivable	(4,233)	990
Prepaid expenses	277	---
Accrued expenses	<u>1,975</u>	<u>(1,540)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	28,991	53,317
<u>CASH FLOWS - FINANCING ACTIVITIES</u>		
Shareholder's contribution to additional paid-in capital	---	11,200
Shareholder's distributions	<u>(31,030)</u>	<u>(68,445)</u>
NET CASH USED FOR FINANCING ACTIVITIES	<u>(31,030)</u>	<u>(57,245)</u>
NET DECREASE IN CASH	(2,039)	(3,928)
Cash at beginning of year	<u>6,418</u>	<u>10,346</u>
CASH AT END OF YEAR	<u>\$ 4,379</u>	<u>\$ 6,418</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Non-cash operating and financing activity -

Rent, telephone and legal and professional service contributed to the company

\$ 2,184 \$ 1,810

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



DEVON SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

NOTE A: THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

The Company was incorporated on July 8, 1987, in the state of New York and is a broker-dealer in securities. The Company does not hold securities on behalf of its customers, and functions only as a commission broker.

Estimates

Although the preparation of financial statements often requires estimating some information, estimates were not necessary to prepare the accompanying financial statements.

Revenue recognition

Commission revenue is recorded on a trade date basis.

Income taxes

The Company is an S corporation under the provisions of the Internal Revenue Code and New York State Tax Code. Under these provisions, the Company will not pay federal and New York State income taxes on its income. Instead, the shareholder is liable for individual federal and New York State income taxes based on the Company's taxable income.

However, New York State imposes a minimum franchise tax, as reflected in the accompanying statements of income.

NOTE B: RELATED PARTY

Devon Securities, Inc. (Devon) operates from the offices of another company related through common ownership. Commencing in January 2004, by agreement with the related company, Devon is required to pay for one-third of the rent and telephone expense relating to the shared facilities. Prior to January 2004, Devon was not required to pay any such expenses.

NOTE C: NON-MARKETABLE SECURITIES

The Company purchased warrants in THE NASDAQ STOCK MARKET, INC. These securities were not publicly traded. The Company purchased 300 warrants in 2002 at a price of \$11 per warrant. Warrants to purchase 300 shares expired in June of 2006, 2005, 2004 and 2003. Accordingly, the Company wrote-down its original investment of \$3,300 by \$825 for each of the years ended December 31, 2006, 2005, 2004 and 2003.

NOTE D: NET CAPITAL REQUIREMENTS

As required by Securities Regulations, the Company has calculated its Net Capital, as defined by Rule 15c3-1, and its Required Net Capital as of December 31, 2006 and 2005. The Net Capital as of December 31, 2006 and 2005, was \$8,568 and \$8,114, respectively. The required net capital was \$5,000 at both December 31, 2006 and 2005.



DEVON SECURITIES, INC.
SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION
REQUIRED BY RULE 17a-5 OF THE
SECURITIES AND EXCHANGE COMMISSION

Shareholder
Devon Securities, Inc.

We have audited the accompanying financial statements of Devon Securities, Inc. as of and for the year ended December 31, 2006 and 2005, and have issued our report thereon dated February 21, 2007, as presented on page 3 hereof. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The financial information hereinafter is presented for purposes of additional analysis and is not a required part of the basic financial statements, but the supplementary information on pages 11 and 12 is required by Rule 17a-5 under the Securities Exchange Act of 1934. 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.

Ronda & Co., P.C.

Rochester, New York
February 21, 2007



DEVON SECURITIES, INC.

SUPPLEMENTARY INFORMATION

	<u>December 31,</u>	
	<u>2006</u>	<u>2005</u>
<u>COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1</u>		
Total shareholder's equity per accompanying statements of financial condition	\$ 9,395	\$ 10,278
Deduct assets excluded from computation of net capital under Rule 15c3-1(c)(2)(iv)(A) and Rule 15c3-1(f):		
Prepaid expenses	370	647
Non-marketable securities	---	825
Over 30 Day receivables	<u>457</u>	<u>692</u>
	<u>827</u>	<u>2,164</u>
NET CAPITAL	<u>\$ 8,568</u>	<u>\$ 8,114</u>
 <u>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT</u>		
(1) Minimum net capital at 6 2/3% of aggregate indebtedness	<u>\$ 189</u>	<u>\$ 57</u>
(2) Minimum dollar net capital requirement of broker under Rule 15c3-1(a)(2)	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital requirement (greater of (1) or (2) above)	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital (net capital less net capital requirement)	<u>\$ 3,568</u>	<u>\$ 3,114</u>
Excess net capital at 1,000% (net capital less 10% of aggregate indebtedness)	<u>\$ 8,284</u>	<u>\$ 8,028</u>
 <u>COMPUTATION OF AGGREGATE INDEBTEDNESS</u>		
Accrued expenses	<u>\$ 2,835</u>	<u>\$ 860</u>
TOTAL AGGREGATE INDEBTEDNESS	<u>\$ 2,835</u>	<u>\$ 860</u>
Percentage of aggregate indebtedness to net capital	<u>33.1%</u>	<u>10.6%</u>
Percentage of debt to debt - equity total (total aggregate indebtedness divided by total aggregate indebtedness plus total shareholder's equity per the accompanying statements of financial condition)	<u>23.2%</u>	<u>7.7%</u>



DEVON SECURITIES, INC.

SUPPLEMENTARY INFORMATION, CONT'D

YEAR ENDED DECEMBER 31, 2006

RECONCILIATION PURSUANT TO RULE 17A-5(D)(4)

Net capital as reported by the Company on Form X-17A-5, Part IIA \$ 10,137

Reconciling item:

Less: Net effect of audit adjustments (1,569)

Net capital as reported in supplementary schedule submitted with audited financial statements \$ 8,568

EXEMPTION FROM RULE 15c3-3

An exemption from Rule 15c3-3 is claimed based upon rule Section (k)(2)(ii) – introducing broker.



**REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5 FOR A BROKER-DEALER
CLAIMING AN EXEMPTION FROM SEC RULE 15c3-3**

Shareholder
Devon Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedules of Devon Securities, Inc. (the Company) for the year ended December 31, 2006, we considered its internal control, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on 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 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 and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. 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 any 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.

Our consideration of the internal control would not necessarily disclose all matters in the internal control 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 components does not reduce to a relatively low level the risk that error or fraud 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 internal control 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 Securities and Exchange Commission, the National Association of Securities Dealers 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.

Ponder & Co., P.C.

Rochester, New York
February 21, 2007



END