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

SEC File Number
8-49679

DIVISION OF TRADING & MARKETS

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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 January 1, 2011 and ending December 31, 2011

A. REGISTRANT INFORMATION

NAME OF BROKER-DEALER:
Oberweis Securities, Inc.

Official Use Only
Firm ID No.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do not use P.O. Box No.):
3333 Warrenville Road, Suite 500
(No. and Street)

Lisle Illinois 60532
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS
REPORT:
Patrick B. Joyce (630) 577-2380
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Baker Tilly Virchow Krause, LLP
(Name - if individual, state last, first, middle name)

205 N. Michigan Avenue
(No. and Street)

Chicago Illinois 60601-5927
(City) (State) (Zip Code)

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 covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on at the bureau for the exemption. See section 240.17a-5(e)(2)

4/5/12

OBERWEIS SECURITIES, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Oberweis Securities, Inc.
Lisle, Illinois

We have audited the accompanying statements of financial condition of Oberweis Securities, Inc. as of December 31, 2011 and 2010, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These statements of financial condition are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements of financial condition 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 statements of financial condition are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statements of financial condition presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the statements of financial condition referred to above present fairly, in all material respects, the financial position of Oberweis Securities, Inc. as of December 31, 2011 and 2010 in conformity with accounting principles generally accepted in the United States of America.

Baker Tully Vrachonakis & Co., LLP

Chicago, Illinois
February 6, 2012

OBERWEIS SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION
December 31, 2011 and 2010

	ASSETS	
	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 34,651	\$ 289,959
Receivable from clearing broker-dealer	2,819,300	3,474,193
Receivable from investment company - related party	52,100	101,010
Securities owned	3,908,664	5,475,349
Deposits with clearing organization	103,781	152,726
Interest receivable	77,599	123,815
Other receivables	507	117
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 6,996,602</u>	<u>\$ 9,617,169</u>
	LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES		
Payable to clearing broker-dealer	\$ 4,753,549	\$ 7,316,090
Accrued commissions	51,395	41,145
Accrued state income taxes	3,608	4,891
Accrued expenses and other liabilities	350,181	479,359
Total Liabilities	<u>5,158,733</u>	<u>7,841,485</u>
STOCKHOLDERS' EQUITY	<u>1,837,869</u>	<u>1,775,684</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 6,996,602</u>	<u>\$ 9,617,169</u>

See notes to statements of financial condition.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 1 - Nature of Operations

Oberweis Securities, Inc. (the "Company") is a registered broker-dealer. The Company is registered with the Securities and Exchange Commission ("SEC") as both a broker-dealer and until December 2010, as an investment advisor. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"). All customer transactions are executed and cleared through another registered securities broker on a fully disclosed basis. As an introducing broker, the Company conducts a general securities business, which includes stocks, bonds, municipals, options, mutual funds, variable contracts, private placements, selling group participation and "best efforts" or firm commitment underwritings, and effects transactions for its own investment account. The Company also sponsors, distributes, offers, and sells affiliated mutual funds with all mutual fund shares offered on an application-way basis or processed through its clearing broker.

NOTE 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term highly liquid investments with maturities of three months or less at the date of acquisition.

Securities Transactions

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions for the account and risk of the Company, when present, are recorded on a trade-date basis. Customers' securities transactions are reported on a settlement-date basis with related commission income and expenses reported on a trade-date basis.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Advertising

Advertising and sales promotion costs are expensed as incurred. Advertising expense totaled \$0 and \$768 for 2011 and 2010, respectively.

Fair Value of Financial Instruments

The Company's short-term financial instruments consist of cash and cash equivalents, receivables, payables and accrued expenses. The carrying values of these short-term financial instruments approximate their estimated fair values based on the instruments' short-term nature.

The fair value of the Company's marketable securities is based on quoted market prices and other significant observable inputs.

For the years ended December 31, 2011 and 2010, there have been no changes in the application of valuation methods applied to similar assets and liabilities.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 2 - Summary of Significant Accounting Policies (cont.)

Income Tax

The Company, with the consent of its stockholders, elected under the Internal Revenue Code to be an S Corporation effective January 1, 2009. In lieu of corporation income taxes, the stockholders of an S Corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for federal income taxes has been included in these financial statements. The financial statements do include a provision for state replacement taxes.

The Company is subject to the accounting standard for uncertainty in income taxes. The tax effects from an uncertain tax position can be recognized in the financial statements, only if the position is more likely than not to be sustained on audit, based on the technical merits of the position. The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized, upon ultimate settlement with the relevant tax authority. When applicable, the Company has elected to record any potential penalties and interest related to uncertain tax positions as income tax expense on the Company's statements of income. The Company did not have any uncertain tax positions for the years ended December 31, 2011 and 2010. Income tax returns for the years ended December 31, 2008 through 2011 remain open, and are subject to review by applicable tax authorities.

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.

Subsequent Events

The Company has evaluated subsequent events occurring through February 6, 2012, the date that the financial statements were available to be issued, for events requiring recording or disclosure in the Company's financial statements.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 3 - Marketable Securities

The Company holds for its own investment account various fixed income securities and mutual fund shares. The cost and unrealized gain and loss as of and for the years ended December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Cost	\$ 3,869,943	\$ 5,431,692
Gross unrealized gains	40,985	45,741
Gross unrealized losses	<u>(2,264)</u>	<u>(2,084)</u>
Total fair value	3,908,664	5,475,349
Add - receivable from clearing broker-dealer	2,819,300	3,474,193
Less - margin account indebtedness	<u>(4,753,549)</u>	<u>(7,316,090)</u>
Marketable securities, net	<u>\$ 1,974,415</u>	<u>\$ 1,633,452</u>

Marketable securities are valued and carried at fair value on a recurring basis.

NOTE 4 - Common Stock

On August 9, 2010, the Company repurchased thirty-six shares of stock from a stockholder. The total price paid for these shares was \$117,351. No changes to stock ownership were made during 2011.

NOTE 5 - Income Taxes

The provision for income tax expense for the years ended December 31, 2011 and 2010 consisted of the following components:

	<u>2011</u>	<u>2010</u>
Current:		
Federal	\$ -	\$ -
State	<u>3,608</u>	<u>4,109</u>
Total current income tax expense	<u>\$ 3,608</u>	<u>\$ 4,109</u>

NOTE 6 - Retirement Plan

The Company sponsors a 401(k) plan that is funded by employee contributions and discretionary employer matching contributions. Amounts contributed to the plan by the Company for the years ended December 31, 2011 and 2010 totaled \$95,473 and \$87,829, respectively.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 7 - Related Parties

The Company has expense sharing agreements with Oberweis Asset Management, Inc. ("OAM") and Oberweis Publishing Company, Inc. ("OPC"), both of which are related parties with common ownership to that of the Company.

The OAM agreement requires that the Company recognize its allocable portion of certain overhead and operating expenses. Additionally, in connection with the distribution and promotion of affiliated mutual funds, the Company received fees from OAM for services rendered.

The OPC agreement entitles the Company to monthly payments in exchange for publishing services provided by Company employees.

The amounts received by the Company under the expense sharing agreements for the years ended December 31, 2011 and 2010 totaled \$376,243 and \$390,356, respectively. There were no amounts due from OAM or OPC at December 31, 2011 and 2010.

The Company sponsors The Oberweis Funds and receives distribution fees for services rendered. During 2011 and 2010, fees earned were \$860,311 and \$1,201,853, respectively. As of December 31, 2011 and 2010, amounts due to the Company relating to these fees were \$52,100 and \$101,010, respectively.

NOTE 8 - Fair Value of Financial Instruments

The Company applies standards for measuring, reporting and disclosing fair value under generally accepted accounting principles. This framework applies to all assets and liabilities that are measured, reported and/or disclosed on a fair value basis.

As defined by US GAAP, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Company attempts to utilize valuation methods that maximize the use of observable inputs and minimizes the use of unobservable inputs.

Based on the observability of the inputs used in the valuation methods the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 8 - Financial Instruments (cont.)

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at December 31, 2011 and 2010.

	December 31, 2011			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 103,043	\$ 103,043	\$ -	\$ -
Municipal bonds	3,805,621	-	3,805,621	-
Total Assets	<u>\$ 3,908,664</u>	<u>\$ 103,043</u>	<u>\$ 3,805,621</u>	<u>\$ -</u>
	December 31, 2010			
	Total	Level 1	Level 2	Level 3
Mutual funds	\$ 94,755	94,755	\$ -	\$ -
Municipal bonds	5,380,594	-	5,380,594	-
Total Assets	<u>\$ 5,475,349</u>	<u>\$ 94,755</u>	<u>\$ 5,380,594</u>	<u>\$ -</u>

The estimated carrying and fair values of the Company's financial instruments are as follows:

	2011		2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial assets:				
Marketable securities	<u>\$ 3,908,664</u>	<u>\$ 3,908,664</u>	<u>\$ 5,475,349</u>	<u>\$ 5,475,349</u>

NOTE 9 - Stockholder Agreement

The transfer of the Company's shares is restricted by a stockholder agreement dated November 17, 2004.

NOTE 10 - Concentrations of Credit Risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event that the counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to periodically review, as necessary, the credit standing of each counterparty.

OBERWEIS SECURITIES, INC.

NOTES TO STATEMENTS OF FINANCIAL CONDITION December 31, 2011 and 2010

NOTE 11 - Commitments and Contingent Liabilities

The Company is an introducing broker that executes and clears all transactions with and for customers on a fully-disclosed basis with another broker. In connection with this arrangement, the Company is contingently liable for the payment for securities purchased and the delivery of securities sold by customers.

NOTE 12 - Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (SEC Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1. SEC Rule 15c3-1 also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2011 and 2010, the Company had net capital of \$1,503,767 and \$1,224,694, respectively, which was \$1,403,767 and \$1,124,694, respectively, in excess of its minimum required net capital of \$100,000. The Company's aggregate indebtedness ratio in each year was 0.27 to 1 and 0.43 to 1, respectively. No material differences exist between the net capital calculated above and the net capital computed and reported in the Company's December 31, 2011 FOCUS filing.