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

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 January 1, 2005 AND ENDING December 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Internet Securities

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

300 Frank H Ogawa Plaza Suite 210
(No and Street)

Oakland California 94612
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Michael Beardsley 510.444.5240

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Breard & Associates Inc., Certified Public Accountants

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

9010 Corbin Avenue Suite 7 Northridge CA 91324

(Address) (City) (State) (Zip Code)

CHECK ONE:

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

PROCESSED

JUN 02 2005

THOMSON FINANCIAL

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*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)

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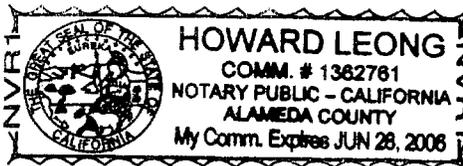
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OATH OR AFFIRMATION

I, Michael Beardsley, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Internet Securities, as of December 31, 2005, 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:

State of California
County of Alameda
Subscribed and sworn (or affirmed) to before me this 27 day of Feb, 2006
Notary Public

Signature: Michael W. Beardsley
Title: President & CEO



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 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 15c3-3 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).

Internet Securities
Report Pursuant to Rule 17a-5 (d)
Financial Statements
For the Year Ended December 31, 2005

Independent Auditor's Report

Board of Directors
Internet Securities

We have audited the accompanying statement of financial condition of Internet Securities as of December 31, 2005 and the related statements of operations, changes in stockholder's equity, changes in liabilities subordinated to the claims of general creditors, and cash flows for the year 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 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 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 Internet Securities as of December 31, 2005 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 examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Schedules I-III is presented for purposes of additional analysis and is not required as part of the basic financial statements, but as supplementary information required by rule 17a-5 of the Securities and Exchange Act of 1934. Such information has been subject to the auditing procedures applied in the examination 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 and in conformity with the rules of the Securities and Exchange Commission.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 9, 2006

*We Focus & Care*SM

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Northridge, California 91324
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**Internet Securities
Statement of Financial Condition
December 31, 2005**

Assets

Cash and cash equivalents	\$ 35,692
Clearing deposit	10,045
Receivable from related party	28,532
Furniture & equipment, net	1,868
Deposits	405
Deferred income taxes	<u>23,652</u>
Total assets	<u>\$ 100,194</u>

Liabilities and Stockholder's Equity

Liabilities

Accounts payable and accrued expenses	\$ 28,127
Subordinated debt	<u>17,746</u>
Total liabilities	45,873

Stockholder's equity

Common stock, no par value, 10 million shares authorized, 2.5 million shares issued and outstanding	2,500
Additional paid-in capital	255,319
Accumulated deficit	<u>(203,498)</u>
Total stockholder's equity	<u>54,321</u>
Total liabilities and stockholder's equity	<u>\$ 100,194</u>

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

**Internet Securities
Statement of Operations
For the Year Ended December 31, 2005**

Revenue

Consulting income	\$ 7,064
Interest and dividend income	143
Other income	<u>579</u>

Total revenue	7,786
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Expenses

Communications	3,417
Occupancy	4,792
Interest	596
Taxes, other than income taxes	3,455
Other operating expenses	<u>23,732</u>

Total expenses	<u>35,992</u>
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Income (loss) before taxes	(28,206)
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Income tax provision	<u>800</u>
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Net income (loss)	<u><u>\$ (29,006)</u></u>
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The accompanying notes are an integral part of these financial statements.

Internet Securities
Statement of Changes in Stockholder's Equity
For the Year Ended December 31, 2005

	<u>Common Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance on January 1, 2005	\$ 2,500	\$ 197,332	\$ (174,492)	\$ 25,340
Contributions	-	57,987	-	57,987
Net income (loss)	-	-	(29,006)	(29,006)
Balance on December 31, 2005	<u>\$ 2,500</u>	<u>\$ 255,319</u>	<u>\$ (203,498)</u>	<u>\$ 54,321</u>

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

Internet Securities
Statement of Changes in Liabilities Subordinated
to the Claims of General Creditors
For the Year Ended December 31, 2005

	<u>Subordinated debt</u>
Balance at January 1, 2005	\$ 17,746
Additions (Reductions)	<u>—</u>
Balance at December 31, 2005	<u>\$ 17,746</u>

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

Internet Securities
Statement of Cash Flows
For the Year Ended December 31, 2005

Cash flows from operating activities:

Net income (loss)		\$ (29,006)
Adjustments to reconcile net income (loss) to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	\$ 765	
Increase (decrease) in:		
Accounts receivable	828	
Clearing deposit	(10,045)	
(Decrease) increase in:		
Accounts payable	<u>4,393</u>	
Total adjustments		<u>(4,059)</u>
Net cash and cash equivalents provided by (used in) operating activities		<u>(33,065)</u>

Cash flows from investing activities:

Purchase of equipment		<u>(2,335)</u>
Net cash and cash equivalents provided by (used in) investing activities		(2,335)

Cash flows from financing activities:

Advances to related party, net		(20,655)
Proceeds from issuance of additional paid-in capital		<u>57,987</u>
Net cash and cash equivalents provided by (used in) financing activities		<u>37,332</u>

Net increase in cash and cash equivalents		1,932
Cash and cash equivalents at beginning of year		<u>33,760</u>
Cash and cash equivalents at end of year		<u><u>\$ 35,692</u></u>

Supplemental disclosure of cash flow information:

Cash paid during the year for		
Income taxes	\$	800
Interest	\$	-

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

Internet Securities
Notes to Financial Statements
December 31, 2005

Note 1: GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Internet Securities (the “Company”) was incorporated in the State of California on February 19, 1999. The Company is registered with the Securities and Exchange Commission as an introducing broker-dealer of securities that does not receive funds; and is a member of the National Association of Securities Dealers, Inc. (“NASD”) and the Securities Investor Protection Corporation (“SIPC”).

The Company is an online investment bank focused on the telecommunications industry. The Company offers consulting services in the areas of mergers and acquisitions, private equity underwriting, and equity research.

Summary of Significant Accounting Policies

The presentation 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

For purposes of statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Company also includes money market accounts as cash equivalents.

Consulting income consists of fees for trade show presentations for the year 2005. The income is recognized upon receipt, usually before the event. Other income consists of revenue earned by the Company for assisting clients with compliance associated with the hiring of representatives.

Rent expense for the year ended December 31, 2005 was \$4,791.

Furniture and equipment are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. When items are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses arising from such transactions are recognized. Furniture & equipment are depreciated over its estimated useful life of five (5) years and three (3) years, respectively by the straight-line method.

Internet Securities
Notes to Financial Statements
December 31, 2005

Note 2: FURNITURE AND EQUIPMENT, NET

The furniture and equipment are recorded at cost.

		<u>Depreciable Life Years</u>
Furniture & fixtures	\$ 161	5
Equipment	340	5
Computers	7,219	5
Software	<u>1,168</u>	3
	8,888	
Less accumulated depreciation	<u>(7,020)</u>	
Furniture and equipment, net	<u>\$ 1,868</u>	

Depreciation expense for the year ended December 31, 2005 was \$765.

Note 3: SUBORDINATED LOAN AGREEMENT

The borrowings under subordination loan agreements at December 31, 2005 are listed as follows:

Liabilities subordinated to the claims of general creditors:	
No interest, due November 30, 2006	<u>\$ 17,746</u>

The subordinated borrowing is covered by agreements approved by the National Association of Security Dealers, Inc. and is thus available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

Note 4: DEPOSITS HELD AT CLEARING FIRM

The Company has deposited \$10,000 with North American Clearing Inc. as security for its transactions with them. Interest is paid monthly on the deposit at the average overnight repurchase agreement rate.

NOTE 5: CONCENTRATION OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends upon the creditworthiness of the counterparty or issuer of the instrument. To mitigate the risk of loss, the Company maintains its accounts with credit worthy customers and counterparties.

Internet Securities
Notes to Financial Statements
December 31, 2005

Note 6: RECENTLY ISSUED ACCOUNTING STANDARDS

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 123 (revised 2004), “Share-Based Payment” (“FAS 123R”), which requires the measurement and recognition of compensation expense for all stock-based compensation payments including grants of employee stock options. Stock options are a valuable and important tool used by many companies as a means to motivate employees and promote business growth. This statement eliminates the ability to account for such share-based compensation transactions using the intrinsic value method as prescribed by Accounting Principles Board, or APB, Opinion No. 25, “Accounting for Stock Issued to Employees,” and requires that such transactions be reflected in the financial statements based upon the estimated fair value of the awards. In addition, there are a number of other requirements under the new standard that will result in differing accounting treatment than currently required. These differences include, but are not limited to, the accounting treatment for the tax benefit on employee stock options and for stock issued under an employee stock purchase plan. FASB 123R becomes effective for all reports issued after June 15, 2005. Adoption of the new standard has not had a material effect upon the financial statements of the company.

Note 7: NET CAPITAL REQUIREMENTS

The Company is subject to the uniform net capital rule (Rule 15c3-1) of the Securities and Exchange Commission, which requires both the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Net capital and aggregate indebtedness change day to day, but on December 31, 2005, the Company's net capital of \$17,610, which was \$ 12,610 in excess of its required net capital of \$5,000; and the Company's ratio of aggregate indebtedness (\$28,127) to net capital was 1.59 to 1, which is less than the 15 to 1 maximum ratio permissible for a Broker/Dealer.

Note 8: RECONCILIATION OF AUDITED NET CAPITAL TO UNAUDITED FOCUS

There is a \$300 difference between the computation of net capital under net capital SEC rule 15c3-1 and the corresponding unaudited focus part IIA.

Net capital per unaudited schedule		\$ 17,910
Adjustments:		
Accumulated deficit	\$ (1,129)	
Additional paid-in capital	27,987	
Non-allowable assets	<u>(27,158)</u>	
Total adjustments		<u>(300)</u>
Net capital per audited statements		<u>\$ 17,610</u>

Internet Securities
Schedule II - Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3
As of December 31, 2005

Computation of net capital

Stockholder's equity		
Common stock	\$ 2,500	
Additional paid-in capital	255,319	
Accumulated deficit	<u>(203,498)</u>	
Total stockholder's equity		\$ 54,321
Add: Liabilities subordinated to the claims of general creditors		
Subordinated loan agreement		<u>17,746</u>
Total stockholder's equity and allowable subordinated liabilities		72,067
Less: Non-allowable assets		
Receivable from related party	(28,532)	
Furniture & equipment, net	(1,868)	
Deposits	(405)	
Deferred income taxes	<u>(23,652)</u>	
Total non-allowable assets		<u>(54,457)</u>
Net capital before haircuts		17,904
Net capital		17,610

Computation of net capital requirements

Minimum net capital requirements		
6 2/3 percent of net aggregate indebtedness	\$ 1,875	
Minimum dollar net capital required	5,000	
Net capital required (greater of above)		<u>(5,000)</u>

Excess net capital

\$ 12,610

Ratio of aggregate indebtedness to net capital 1.59:1

There was a \$300 difference between net capital shown here and net capital as reported on the Company's unaudited Form X-17A-5 report dated December 31, 2005. See Note 8.

See independent auditor's report.

Internet Securities
Schedule II - Computation for Determination of Reserve Requirements
Pursuant to Rule 15c3-3
As of December 31, 2005

A computation of reserve requirement is not applicable to Internet Securities as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

Internet Securities
Schedule III - Information Relating to Possession or Control
Requirements Under Rule 15c3-3
As of December 31, 2005

Information relating to possession or control requirements is not applicable to Internet Securities as the Company qualifies for exemption under Rule 15c3-3 (k)(2)(i).

See independent auditor's report.

Internet Securities
Supplementary Accountant's Report
on Internal Accounting Control
Report Pursuant to 17a-5
For the Year Ended December 31, 2005

Board of Directors
Internet Securities

In planning and performing our audit of the financial statements and supplemental schedules of Internet Securities for the year ended December 31, 2005, we considered its internal control structure, for the purpose 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 followed by Internet Securities including tests of such practices and procedures that we considered relevant to 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 security 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 the 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 structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements 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 generally accepted accounting principles. Rule 17-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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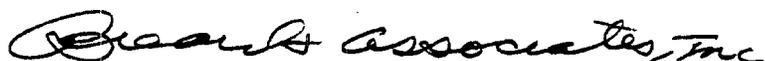
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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk 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 structure 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 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 considered to be material weakness 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 purpose 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 material inadequacy for such purposes. Based on this understanding on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, 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.



Breard & Associates, Inc.
Certified Public Accountants

Northridge, California
February 9, 2006