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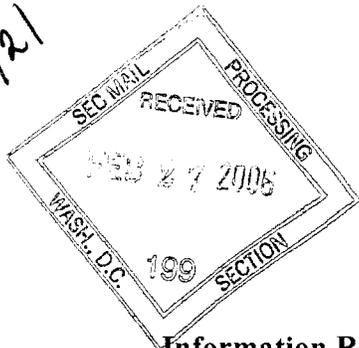
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washington, D.C. 20549

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

SEC FILE NUMBER
8-52068

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/05 AND ENDING 12/31/05  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Fallbrook Capital Corp.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

6700 Fallbrook Ave # 111  
(No. and Street)  
West Hills CA 91307  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Bradt Blanken 818-712-6931  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Wade J. Bowden & Company, CPAs, P.C.  
(Name - if individual, state last, first, middle name)  
3150 Highway 278, Suite 105, Covington, Georgia 30014  
(Address) (City) (State) (Zip Code)

CHECK ONE:

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

**PROCESSED**

**APR 14 2006**

**FOR OFFICIAL USE ONLY**

**THOMSON FINANCIAL**

\*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)

Handwritten signature and date: 4/13/06

OATH OR AFFIRMATION

I, Brandt Blauten, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fairbrook Capital Corp., as of February 24, 2006, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[Signature]  
Signature  
President  
Title

[Signature]  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**REPORT ON INTERNAL CONTROL**

**REQUIRED BY  
SECURITIES EXCHANGE COMMISSION (SEC) RULE 17A-5  
FOR A BROKER-DEALER CLAIMING AN EXEMPTION FROM  
(SEC) RULE 15C3-3**

Board of Directors  
FALLBROOK CAPITAL CORPORATION

In planning and performing our audit of the financial statements of Fallbrook Capital Corporation (the Company) for the year ended December 31, 2005, we considered its internal control, including control activities 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 internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in the following:

1. 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. Making the quarterly securities examinations, counts, verifications, and comparisons, and the 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 conformity with generally accepted accounting principles. Rule 17a5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

# WADE J BOWDEN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Because of inherent limitations in 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 internal control would not necessarily disclose all matters in 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 one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by 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, including control activities 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 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, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker and dealers, and is not intended to be and should not be used by anyone other than these specified parties.



Wade J Bowden & Company CPAs, P.C.  
February 17, 2006

3150 HWY 278, SUITE 105  
COVINGTON, GEORGIA 30014  
PH 770-639-4637  
FAX 678-868-1411  
[WBOWDEN@MINDSPRING.COM](mailto:WBOWDEN@MINDSPRING.COM)

**FALLBROOK CAPITAL CORPORATION**

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FINANCIAL STATEMENTS FOR THE YEAR ENDED  
DECEMBER 31, 2005 AND INDEPENDENT  
AUDITORS' REPORT

***Wade J Bowden & Company, P.C.***

# FALLBROOK CAPITAL CORPORATION

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**WADE J BOWDEN & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
FALLBROOK CAPITAL CORPORATION

We have audited the accompanying statement of financial condition of Fallbrook Capital Corporation as of December 31, 2005 and the related statements of operations, changes in stockholder's equity 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 financial 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 Fallbrook Capital Corporation 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 audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. 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.

*Wade J. Bowden & Company*

Atlanta, Georgia  
January 31, 2006

3150 HWY 278, SUITE 105  
COVINGTON, GEORGIA 30014  
PH 770-639-4637  
FAX 678-868-1411  
WBOWDEN@MINDSPRING.COM

# FALLBROOK CAPITAL CORPORATION

## STATEMENT OF FINANCIAL CONDITION

December 31, 2005

### ASSET

CURRENT ASSET - CASH	\$	13,450
TOTAL	\$	13,450

### LIABILITY AND STOCKHOLDER'S EQUITY

CURRENT LIABILITY - ACCOUNTS PAYABLE	\$	557
<b>STOCKHOLDER'S EQUITY:</b>		
Capital stock no par value, 100 shares authorized, issued and outstanding		
Additional paid-in capital		17,500
Deficit		(4,607)
Total stockholder's equity		12,893
TOTAL	\$	13,450

See Independent Auditors' Report and  
Notes to Financial Statements.

# FALLBROOK CAPITAL CORPORATION

## STATEMENT OF OPERATIONS AND CHANGES IN STOCKHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

<b>REVENUE - Commissions</b>	<b>\$ 1,326,313</b>
<b>EXPENSES:</b>	
Commissions, salaries and benefits	1,268,749
Taxes, licenses and permits	41,407
Legal and professional fees	37,647
Occupancy and administrative	4,202
Total expenses	<b>1,352,005</b>
<b>NET INCOME</b>	<b>(25,692)</b>
<b>RETAINED EARNINGS, JANUARY 1</b>	<b>2,029</b>
<b>STOCKHOLDER CONTRIBUTIONS</b>	<b>19,056</b>
<b>DEFICIT, DECEMBER 31</b>	<b>\$ (4,607)</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# FALLBROOK CAPITAL CORPORATION

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2005

<b>OPERATING ACTIVITIES:</b>	
Net loss	\$ (25,692)
Adjustments to reconcile net income to net cash used by operating activities:	
Decrease in due from shareholder	10,057
Decrease in accounts payable	(12,000)
Net cash used by operating activities	(27,635)
<b>FINANCING ACTIVITIES -</b>	
Shareholder contributions	19,056
<b>NET DECREASE IN CASH</b>	<b>(8,579)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>22,029</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 13,450</b>

See Independent Auditors' Report and  
Notes to Financial Statements.

# FALLBROOK CAPITAL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Nature of Business

Fallbrook Capital Corporation (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of various exchanges and the National Association of Securities Dealers (NASD). The Company was formed as a Florida corporation on August 10, 1999.

#### Basis of Presentation

The Company's main office is located in West Hills, CA, and has two registered persons. The Company's only source of revenue is from commissions generated, on a best-efforts basis, from the sale of private placements of direct participation programs of tax incentive investments to corporate and institutional investors.

#### Income Taxes

The Company, with the consent of its stockholder, has elected to be taxed as an S corporation under Subchapter S of the Internal Revenue Code that provides, in lieu of corporate income taxes, the stockholder separately accounts for his share of the Company's items of income, deductions, losses and credits. Therefore, these financial statements do not include any provision for corporate income taxes.

#### Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Computation of Customer Reserve

The Company is exempt from customer reserve requirements and providing information relating to possession or control of securities pursuant to Rule 15c3-3 of the Securities and Exchange Act of 1934. The Company meets the exemptive provisions of Paragraph (k)(2)(i).

**2. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission 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, both as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange 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, 2005, the Company had net capital of \$12,893, which was \$7,893 in excess of its required net capital of \$5,000. The Company's percentage of aggregate indebtedness to net capital was 4.3%.

**3. RELATED PARTY TRANSACTIONS**

During 2005, the Company paid its sole shareholder \$350,000 reflected on the statement of operations as compensation and benefits. The sole shareholder contributed \$19,056 to the Company and is reflected on the statement of changes in stockholder's equity.

# FALLBROOK CAPITAL CORPORATION

## COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2005

	SCHEDULE 1
<b>TOTAL STOCKHOLDER'S EQUITY QUALIFIED FOR NET CAPITAL</b>	\$ 12,893
<b>NET CAPITAL</b>	12,893
<b>AGGREGATE INDEBTEDNESS:</b>	
Accounts payable and accrued liabilities	557
<b>COMPUTATION OF BASIC NET CAPITAL REQUIREMENT -</b>	
Minimum dollar net capital requirement	5,000
Excess net capital	7,893
Excess net capital at 1,000 percent	12,837
Percentage of aggregate indebtedness to net capital	4.3%

There are no audit adjustments and no differences between the FOCUS report filed for the period ending December 31, 2005 and the computation above.

See Independent Auditors' Report