

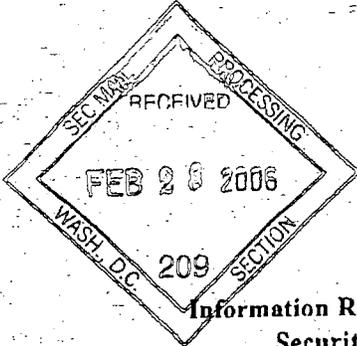


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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL
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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: Fortune Securities, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

Alhambra (City) CA (State) 91801 (Zip Code)
(No. and Street)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Tom Chen 626 281-6001
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Elizabeth Tractenberg, CPA

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

3832 Shannon Rd., Los Angeles, CA 90027

(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 2006
THOMSON FINANCIAL

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.

6/1/06
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OATH OR AFFIRMATION

I, Tom Chen, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Fortune Securities, Inc., 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:

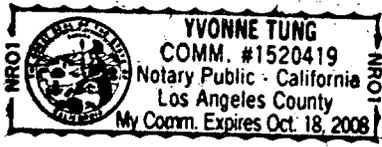
Chen

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~~ **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 15c3-1 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 the boxes of~~ **XXXXXX**
- (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).

State of California, County of Los Angeles
 Subscribed and sworn to (or affirmed) before me
 on this 16th day of February, 2006.
 by Tom Chen
 personally known to me or proved to me on the
 basis of satisfactory evidence to be the person(s)
 who appeared before me.

Signature: [Signature]

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2005

FORTUNE SECURITIES, INC.
388 E. VALLEY BLVD., SUITE 208
ALHAMBRA, CALIFORNIA 91801

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ELIZABETH CERTIFIED
TRACTENBERG PUBLIC
ACCOUNTANT

REPORT OF INDEPENDENT AUDITOR

Board of Directors
Fortune Securities, Inc.
Alhambra, California

I have audited the accompanying statement of financial condition of Fortune Securities, Inc., and related statements of income, cash flows, and changes in stockholders' equity as of December 31, 2005. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of Fortune Securities, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of Fortune Securities, Inc. and the results of operations, cash flows and stockholders' equity as of December 31, 2005, in conformity with accounting principles generally accepted in the United States.



Elizabeth Tractenberg, CPA
Los Angeles, California
February 19, 2006

FORTUNE SECURITIES, INC.
STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2005

ASSETS

Clearing broker deposit	\$	35,223
Commissions receivable		56,575
Furniture and equipment, at cost, net of accumulated depreciation of \$65,568		3,496
Leasehold improvements, net of accumulated amortization of \$12,321		53,932
Deposits		<u>4,599</u>
 TOTAL ASSETS	 \$	 <u><u>153,825</u></u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Bank overdraft	\$	9,136
Accounts payable and accrued expenses		7,208
Commissions payable		<u>44,287</u>
TOTAL LIABILITIES		60,631

STOCKHOLDERS' EQUITY

Common stock, \$.00 par value, 10,000,000 shares authorized; 6,605,274 shares outstanding	\$	0
Paid-in capital		317,000
Retained earnings		<u>(223,806)</u>
		<u>93,194</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u><u>153,825</u></u>
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See accompanying notes to financial statements

FORTUNE SECURITIES, INC.
STATEMENT OF LOSS
FOR YEAR ENDED DECEMBER 31, 2005

REVENUES	
Commissions	\$ 618,165
Interest	<u>8,261</u>
 TOTAL REVENUES	 <u>626,426</u>
 DIRECT COSTS	
Commission expense	493,080
Ticket clearance charges	53,528
Quotes & research	<u>9,478</u>
 TOTAL DIRECT COSTS	 <u>556,086</u>
 GROSS PROFITS	 <u>70,340</u>
 OPERATING EXPENSES - see page 8	 <u>134,231</u>
 INCOME (LOSS) BEFORE TAX PROVISION	 (63,891)
 INCOME TAX PROVISION	 <u>800</u>
 NET LOSS	 <u><u>\$ (64,691)</u></u>

See accompanying notes to financial statements

FORTUNE SECURITIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR YEAR ENDED DECEMBER 31, 2005

	Common Stock Shares	Common Stock	Paid-In Capital	Retained Earnings	Total
Balance, December 31, 2004	4,167,365	\$ 0	\$ 200,000	\$ (159,115)	\$ 40,885
Capital contributed	2,437,909		117,000		117,000
Net Income (Loss)				(64,691)	(64,691)
Balance, December 31, 2005	<u>6,605,274</u>	<u>\$ 0</u>	<u>\$ 317,000</u>	<u>\$ (223,806)</u>	<u>\$ 93,194</u>

See accompanying notes to financial statements

FORTUNE SECURITIES, INC.
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2005

Cash Flows from Operating Activities:	
Net loss	\$ (64,691)
Depreciation	7,298
Changes in operating assets and liabilities:	
Clearing broker deposit	(89)
Commissions receivable	(42,799)
Other receivable	13,333
Deposits	3,485
Accounts payable and accrued expenses	6,383
Bank overdraft	9,136
Commissions payable	<u>11,708</u>
Net cash provided in operating activities	<u>(56,236)</u>
Cash Flows from Investing Activities:	
Addition of furniture and equipment	(7,693)
Leasehold improvement	<u>(57,034)</u>
Cash flow for Investing Activities	<u>(64,727)</u>
Cash Flows from Financing Activities:	
Paid in capital	<u>117,000</u>
Total Cash Flows from Financing Activities	<u>117,000</u>
Net decrease in cash	<u>(3,963)</u>
Cash at beginning of year	<u>3,963</u>
Cash at December 31, 2005	<u><u>\$ 0</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u>\$ 0</u>
Cash paid for income tax	<u>\$ 0</u>

See accompanying notes to financial statements

FORTUNE SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - ORGANIZATION

Fortune Securities, Inc. (the Company) is a registered broker-dealer incorporated under the laws of the State of California maintaining its principal office in Alhambra, California. The Company operates pursuant to the (K)(2)(ii) exemptive provision of the SEC Rule 15c3-3 and does not hold customer funds or securities. The Company was incorporated in California on November 20, 1995 and became a member of the NASD on May 7, 1997.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Furniture and equipment are stated at cost and are depreciated over estimated useful lives. Security transactions are recorded on the basis of settlement data.

NOTE 3 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital as defined under such provisions. At December 31, 2005 the Company had complied with the requirement. The computation of net capital requirements pursuant to Rule 15c3-1 appears on page 8.

NOTE 4 - DEPOSIT - CLEARING ORGANIZATION

The Company has an agreement with a clearing broker which requires a minimum deposit of \$25,000 and has a remaining deposit with another clearing broker of \$10,000.

NOTE 5 - INCOME TAXES

The Company files its corporate income tax returns on the accrual basis. The provision for income taxes for the year consists of the following:

Federal	\$ 0
State	<u>800</u>
	<u>\$ 800</u>

FORTUNE SECURITIES, INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2005

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The Company leases facilities in the County of Los Angeles under a long-term agreement expiring in 2008. The annual rental commitments for years ending December 31, are as follows:

2006	\$ 46,968
2007	46,968
2008	<u>27,398</u>
	<u>\$121,334</u>

NOTE 7 - OFF BALANCE-SHEET RISK

The customers' securities transactions are introduced on a fully disclosed basis with its clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities relative to customers' transactions. Off balance-sheet risk exists with respect to these transactions due to the possibility that a customer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its customers and to ensure that customer transactions are executed properly by the clearing broker-dealer.

NOTE 8 - USE OF ESTIMATES

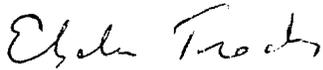
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements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

ELIZABETH CERTIFIED
TRACTENBERG PUBLIC
ACCOUNTANT

Independent Auditor's Report on Supplemental Information

Fortune Securities, Inc.
Alhambra, California

My report on my audit of the basic financial statements of Fortune Securities, Inc., for December 31, 2005 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on Page 8 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Elizabeth Tractenberg, CPA
Los Angeles, California
February 19, 2006

10680 WEST PICO BOULEVARD, SUITE 260, LOS ANGELES, CA 90064
3832 SHANNON ROAD, LOS ANGELES, CA 90027-1442

PHONE (323) 669-0545 FAX (323) 669-0575 CELL PHONE (310) 435-0746 EMAIL TRACTENBERG@SBCGLOBAL.NET

FORTUNE SECURITIES, INC.
OPERATING EXPENSES
DECEMBER 31, 2005

OPERATING EXPENSES

Advertising	\$ 25,285
Depreciation and amortization	7,298
Fees	3,383
Miscellaneous expenses	8,762
Office expenses	11,891
Outside services	18,540
Professional fees	12,712
Registration and licenses	(1,656)
Rent	24,475
Telephone and utilities	8,342
Travel	15,199

TOTAL OPERATING EXPENSES \$ 134,231

See accompanying notes to financial statements

FORTUNE SECURITIES, INC.
 COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT
 TO RULE 15c3-1
 DECEMBER 31, 2005

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$ 93,194
Clearing deposit - over required amount	(223)
Furniture and equipment, net of accumulated depreciation of \$65,568	(3,496)
Leasehold improvement, net of accumulated amortization of \$12,321	(53,932)
Deposits	(4,599)
NET CAPITAL	<u>\$ 30,944</u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness -	
6.67% of net aggregate indebtedness	<u>\$ 4,044</u>
 Minimum dollar net capital required	 <u>\$ 5,000</u>
 Net Capital required (greater of above amounts)	 <u>\$ 5,000</u>
EXCESS CAPITAL	<u>\$ 25,944</u>
Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u>\$ 24,881</u>

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities	<u>\$ 60,631</u>
 Percentage of aggregate indebtedness to net capital	 196%

RECONCILIATION

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION	\$ 37,251
VARIANCE	
Clearing deposit account - over required deposit	(223)
Accrued expenses	(6,084)
NET CAPITAL PER AUDIT	<u><u>\$ 30,944</u></u>

See accompanying notes to financial statements

PART II

FORTUNE SECURITIES, INC.

STATEMENT OF INTERNAL CONTROL

DECEMBER 31, 2005

ELIZABETH CERTIFIED
TRACTENBERG PUBLIC
ACCOUNTANT

REPORT OF INDEPENDENT ACCOUNT
ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC Rule 17a-5

Board of Directors
Fortune Securities, Inc.
Alhambra, California

In planning and performing my audit of the financial statements of Fortune Securities, Inc. (hereafter referred to as the "Company") for the year ended December 31, 2005, I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my 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, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13;(2) 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; or (3) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 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 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 of 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 generally accepted accounting principles.

Rule 17a-5(g) lists additional objectives of the practice 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 the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the 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 relationship 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, I noted no matters involving the accounting system and control procedures that I consider to be material weaknesses as defined above although an audit by the Department of Corporations commented on the necessity of reconciling bank accounts monthly and that trade blotters should be maintained at the offices of Fortune Securities, Inc.. In addition, the Company, was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2005 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I 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 my study, I 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, the national Association of Securities Dealers, Inc., 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.


Elizabeth Tractenberg, CPA
Los Angeles, California
February 19, 2006