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OMB APPROVAL  
OMB Number: 3235-0123  
Expires: January 31, 2007  
Estimated average burden  
hours per response..... 12.00

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

SEC FILE NUMBER  
8-47288

**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 01-01-2005 AND ENDING 12-31-2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Securities & Investment Planning Company

OFFICIAL USE ONLY

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

FIRM I.D. NO.

19 Center Street

(No. and Street)

Chatham

New Jersey

07928

(City)

(State)

(Zip Code)

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

Daryl Hersch

973-701-8033

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

WithumSmith+Brown, P.C.

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

465 South Street, Suite 200, Morristown, New Jersey 07960

(Address)

(City)

(State)

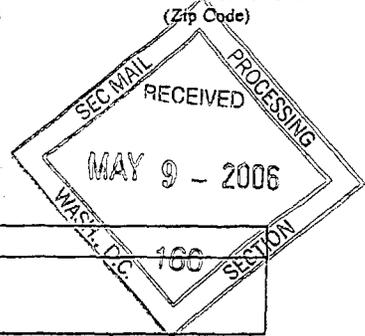
(Zip Code)

CHECK ONE:

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

JUL 10 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)

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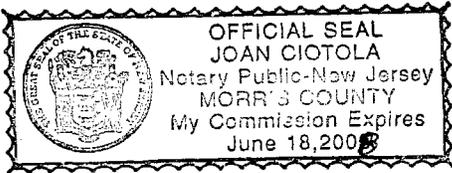
Handwritten signature/initials

OATH OR AFFIRMATION

I, Daryl Hersch, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Securities & Investment Planning Company, 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:

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

[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~~ ~~Cash Flows~~ 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).

**SECURITIES & INVESTMENT  
PLANNING COMPANY**

**Financial Statements**

**December 31, 2005**

**With Independent Auditors' Report**

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Certified Public Accountants and Consultants

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New York and Pennsylvania

## Independent Auditors' Report

To the Stockholders  
Securities & Investment Planning Company

We have audited the accompanying statement of financial condition of Securities & Investment Planning Company as of December 31, 2005 and the related statements of income, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities and 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 Securities & Investment Planning Company 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 of the Securities and Exchange Commission. 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.

*William Smith + Brown, P.C.*

February 13, 2006 (except as to Note 9 which date is April 20, 2006)

Where Success Begins<sup>SM</sup>

A member of HLB International. A world-wide organization of accounting firms and business advisers.

Securities & Investment Planning Company  
Statement of Financial Condition  
December 31, 2005

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**Assets**

Cash and cash equivalents	\$ 378,006
Due from clearing broker	63,586
Deposit with clearing broker	100,105
Securities owned, at market value	567,652
Other assets	<u>4,480</u>
	<u>\$ 1,113,829</u>

**Liabilities and Stockholder's Equity**

Liabilities:

Accounts payable and accrued expenses	\$ 273,747
Due to clearing broker	2,712
Securities sold not yet purchased, at market value	44,150
Income taxes payable	<u>23,459</u>
Total liabilities	344,068

Stockholders' equity:

6% Noncumulative preferred stock - \$100 par value Authorized 50,000 shares; Issued 21,300 shares	2,130,000
Common stock, \$1 par value; authorized 5,000 shares; issued and outstanding 103 shares	103
Additional paid-in capital	831,183
Accumulated deficit	<u>(947,106)</u>
	2,014,180
Less: Preferred treasury stock, 21,018 shares at cost	<u>1,244,419</u>
Total stockholders' equity	<u>769,761</u>
	<u>\$ 1,113,829</u>

The Notes to Financial Statements are an integral part of this statement.

Securities & Investment Planning Company  
Statement of Income  
Year Ended December 31, 2005

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Revenues:	
Commission income	\$ 942,531
Net trading gain	1,034,733
Interest and dividend income	84,877
Miscellaneous	11,988
Total revenues	<u>2,074,129</u>
Costs and expenses:	
Employee compensation and benefits	874,164
Clearance charges	198,581
Quotation and communication expenses	81,240
Rent	90,000
Professional fees	117,148
Insurance	9,360
Interest expense	27,802
Regulatory fees, registration fees and licenses	20,593
Telephone and utilities	16,426
Office expenses	54,816
Other	36,628
Total costs and expenses	<u>1,526,758</u>
Income before provision for income taxes	547,371
Provision for income taxes - state	<u>23,459</u>
Net income	<u><u>\$ 523,912</u></u>

The Notes to Financial Statements are an integral part of this statement.

**Securities & Investment Planning Company**  
**Statement of Changes in Stockholders' Equity**  
**Year Ended December 31, 2005**

	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Preferred Treasury Stock	Total
Balance, January 1, 2005	\$ 2,130,000	\$ 103	\$ 831,183	\$ (1,278,518)	\$ (1,244,419)	\$ 438,349
Stockholder dividends paid	-	-	-	(192,500)	-	(192,500)
Net income	-	-	-	523,912	-	523,912
Balance, December 31, 2005	\$ 2,130,000	\$ 103	\$ 831,183	\$ (947,106)	\$ (1,244,419)	\$ 769,761

The Notes to Financial Statements are an integral part of this statement.

Securities & Investment Planning Company  
**Statement of Cash Flows**  
**Year Ended December 31, 2005**

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**Cash flows from operating activities:**

Net income	\$ 523,912
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Due from clearing broker	66,753
Securities owned, at market value	(186,264)
Accounts payable and accrued expenses	108,573
Due to clearing broker	2,712
Securities sold not yet purchased, at market value	(7,910)
Income taxes payable	21,459
Net cash provided by operating activities	<u>529,235</u>

**Cash flows from financing activities:**

Dividends paid to stockholder	<u>(192,500)</u>
Net cash used in financing activities	<u>(192,500)</u>

Net increase in cash and cash equivalents 336,735

Cash and cash equivalents, at beginning of year 41,271

Cash and cash equivalents, at end of year \$ 378,006

**Supplemental disclosure of cash flow information**

Cash paid during the year for:

Income taxes	\$ 4,368
Interest	\$ 27,802

The Notes to Financial Statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

**Nature of Business Operations**

Securities & Investment Planning Company is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended, and a member of the National Association of Securities Dealers, Inc. The Company brokers securities transactions for customers' orders for the purchase and sale of marketable securities on their behalf on a fully disclosed basis with a clearing broker.

**Commissions Receivable**

Commissions receivable are uncollateralized trade obligations due under normal trade terms requiring payment within approximately 5 days of trade date. Unpaid balances do not bear interest. Commissions receivable are stated at the amount settled with the Company's clearing broker. Payments of commissions receivable are remitted monthly by the clearing broker. The Company considers commissions receivable to be substantially all collectible. Accordingly, management believes that an allowance for doubtful accounts is not required at December 31, 2005.

**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. During 2005, the Company recognized a reduction in a previously recorded liability for compensation arrangements. Based on the facts and circumstances that arose in 2005, the Company has accounted for this reduction as a change in estimate and, accordingly, reduced Employee compensation and benefits in the Statement of Income by approximately \$188,000.

**Disclosures About Fair Value of Financial Instruments**

The carrying amounts of due from clearing broker and accounts payable and accrued expenses approximate fair value due to the short maturity of these items.

**Revenue Recognition**

Revenue is recognized by the Company when earned. Commission revenue consisting of securities transactions are recognized on a trade date basis.

**Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. Cash equivalents include operating, savings and money market amounts. As of the balance sheet date and various time throughout the year, certain cash balances at a financial institution exceeded the federally insured limit of \$100,000. Management monitors regularly the financial condition of the banking institution, along with their balances in cash and cash equivalents and endeavors to keep this potential risk at a minimum.

**Valuation of Securities Owned**

Securities owned are valued using fair market values, as reported by stock exchanges and published quoted prices. Management considers these short term investments as trading securities. As such, any changes in the market value of such investments are recognized in the income statement.

**Property and Equipment**

Property and equipment are recorded at cost less accumulated depreciation. Depreciation was provided on the straight-line method over the estimated useful lives of the assets. As of December 31, 2005 the net book value of property and equipment is \$-0-. Depreciation expense for the year ended December 31, 2005 was \$-0-. Acquisitions, major improvements and renewals are capitalized and depreciated. Repairs and maintenance expenditures are expensed as incurred.

Property and equipment at December 31, 2005 consist of the following:

Computer equipment	\$ 162,976
Furniture and fixtures	56,795
Leasehold improvements	1,913
Total	221,684
Less: accumulated depreciation	<u>221,684</u>
	<u>\$ --</u>

### Business Concentrations

The Company maintains cash balances with a bank that, at times, has exceeded amounts insured by the Federal Deposit Insurance Corporation. Management monitors its credit risk with financial institutions and believes the risk to be minimal.

### Income Taxes

The Company follows the provisions of Statement of Financial Accounting Standard ("SFAS") No. 109, Accounting for Income Taxes, which requires the recognition of deferred income tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred income tax liabilities and assets are determined based on the difference between the financial statement and the tax basis of assets and liabilities using enacted rates in effect for the year in which the temporary differences are expected to reverse. Valuation allowances are established, when necessary, to reduce the deferred tax assets to the amount expected to be realized.

At December 31, 2005, deferred tax assets are principally comprised of U.S. and State net operating losses. Based on an assessment of all available evidence, including the high degree of volatility in the Company's historical results of operations and the Company's ability to generate taxable income in future periods, management has concluded that the realization of such deferred tax assets can not be considered more likely than not. Accordingly, a valuation allowance has been established against the entire deferred tax asset. As of December 31, 2005, the Company had a deferred tax asset balance of \$399,919, which has a 100% valuation allowance. During 2005, the Company reduced its valuation allowance by \$278,681 to reflect the taxable income generated in 2005. The Company's 2005 tax provision relates entirely to current State of New Jersey obligations.

As of December 31, 2005, the Company has Federal and state net operating loss carryforwards of approximately \$700,000 and \$2,500,000 which will expire at various dates beginning in 2006.

### 2. Deposit with Broker

The Company maintains a depository account with its clearing broker in the amount of \$100,105 at December 31, 2005, pursuant to its clearing agreement.

### 3. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital amount and requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1. At December 31, 2005, the Company had defined net capital of \$607,621, which was \$507,621 in excess of its required minimum net capital of \$100,000. At December 31, 2005, the Company's ratio of aggregate indebtedness to net capital was 0.57 to 1.

### 4. Special Account for the Exclusive Benefit of Customers

The Company is exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934 and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers" since it meets the requirements of Rule 15c3-3(k)(2)(B), which, among other provisions, requires the Company to clear all transactions with and for customers on a fully-disclosed basis with a clearing broker or dealer, and to promptly transmit all customer funds and securities to the clearing broker or dealer which carries all of the accounts of such customers.

**5. Financial Instruments With Off-Balance Sheet Risk and Concentrations of Credit Risk**

In the normal course of business, the Company's securities activities involve executions and settlement of various securities transactions. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations.

The Company records customer transactions on a settlement date basis, which is generally three business days after trade date. Related commission income and expenses are recorded on a trade date basis. The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill their contractual obligations.

The Company has a concentration of credit risk with respect to commissions receivable and amounts due from and on deposit with a third party broker. Management concluded that the credit risks associated with these relationships is reduced due to the short term settlement of these balances, the extensive number of customers and the financial condition of the broker.

**6. Commitments and Contingencies**

The Company is renting office space on a month-to-month basis, at a monthly rental expense of \$7,500. The rent expense for the year ended December 31, 2005 amounted to \$90,000.

The Company is also subject to claims and actions from customers and regulators that arise in the normal course of operations and other items that may represent a gain contingency to the Company. Management believes that the outcome of all such actions will not have a material adverse effect on its financial condition, results of operations and cash flows.

**7. 401(k) Defined Contribution Plan**

The Company has a 401(k) defined contribution plan which covers substantially all employees. The Company may contribute a matching contribution, which is solely at the discretion of the Company. Contributions to the plan totaled \$2,118 in the year ended December 31, 2005.

**8. Related Party Transaction**

The Company's President and his spouse provide brokering and administrative services and related compensation is at their discretion. In 2005, compensation expense for such services totaled \$36,850.

**9. Reclassifications**

Certain amounts presented in the previously issued 2005 financial statements have been reclassified by management. The reclassifications had no effect on the Company's previously reported stockholder's equity, net income, or net capital over minimum requirement.

Securities & Investment Planning Company  
Supplementary Schedule of Computation of Net Capital Pursuant to SEC Rule 15c3-1  
December 31, 2005

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Total stockholders' equity	\$	769,761
Deductions:		
Nonallowable assets:		
Other assets		4,480
Haircuts on securities owned		141,226
Undue concentration charge		16,434
Total deductions		<u>162,140</u>
Net capital	\$	<u>607,621</u>
Aggregate indebtedness	\$	<u>344,068</u>
Minimum net capital required	\$	<u>100,000</u>
Net capital over minimum requirement	\$	<u>507,621</u>
Reconciliation with Company's computation, Included in part II A of form X-17A-5, as of December 31, 2005:		
Net capital as reported in Company's December 31, 2005, FOCUS reports	\$	423,042
Audit adjustments:		
Net adjustment to accounts payable and accrued expenses		205,070
Net adjustment to securities owned, at market value		968
Net adjustment to income taxes payable		<u>(21,459)</u>
Net capital, as stated above	\$	<u>607,621</u>

See Independent Auditors' Report.



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Certified Public Accountants and Consultants

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Additional Offices in New Jersey,  
New York and Pennsylvania

**Independent Auditors' Supplementary Report  
On Internal Accounting Control Required by SEC Rule 17a-5  
for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3**

To the Stockholders  
Securities & Investment Planning Company:

In planning and performing our audit of the financial statements of Securities & Investment Planning Company for the year ended December 31, 2005 we considered its internal control structure 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 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 the procedures 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 preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

**Securities & Investment Planning Company:**

Because of inherent limitations in internal control or the practices and procedures referred to above, errors 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 the specific internal control components does not reduce to a relatively low level the risk that errors 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, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, and other regulatory agencies which 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.

*William Smith & Brown, P.C.*

February 13, 2006 (except as to Note 9 which date is April 20, 2006)