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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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

SEC FILE NUMBER 8-66852

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

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Panattoni Securities, Inc.

OFFICIAL USE ONLY FIRM I.D. NO.

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

8413 Jackson Road, Suite B

(No. and Street)

Sacramento

California

95826

(City)

(State)

(Zip Code)

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

Mark L. Panattoni

(916) 381-6171

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Tate, Propp, Beggs Sugimoto

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

1545 River Park Drive, Suite 375

Sacramento

California

95815-4614

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED JUN 12 2006 THOMAS 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.

Handwritten signature and date 6/19/06

OATH OR AFFIRMATION

I, Mark L. Panattoni, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Panattoni 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:

Mark L. Panattoni
Signature
Principal
Title

Stacy A. Harty
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 15c3-3 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).

PANATTONI SECURITIES, INC.

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INDEPENDENT AUDITORS' REPORT

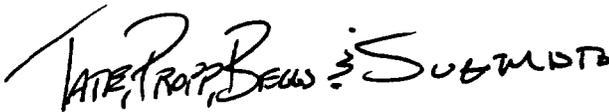
To the Board of Directors
Panattoni Securities, Inc.
Sacramento, California

We have audited the accompanying statement of financial condition of Panattoni Securities, Inc., as of December 31, 2005, and the related statements of income, 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 Panattoni Securities, Inc., as of December 31, 2005, and the results of their operations and their 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 Schedule I 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.


An Accountancy Corporation

March 17, 2006
Sacramento, California
A Professional Corporation
1545 River Park Drive, Suite 375
Sacramento, CA 95815-4614

Phone (916) 929-1006
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tpbs

PANATTONI SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION

December 31, 2005

ASSETS

| | |
|-----------------------------|-------------------|
| Current assets: | |
| Cash | \$ 126,225 |
| Accounts receivable | 63,750 |
| Prepaid expenses | <u>5,081</u> |
| Total current assets | 195,056 |
| Property and equipment, net | <u>13,578</u> |
| Total Assets | <u>\$ 208,634</u> |

LIABILITIES AND STOCKHOLDER'S EQUITY

| | |
|--|-------------------|
| Current liabilities: | |
| Accounts payable | <u>\$ 4,759</u> |
| Stockholder's Equity: | |
| Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding | 10,000 |
| Additional paid-in capital | 210,000 |
| Accumulated deficit | <u>(16,125)</u> |
| Total stockholder's equity | <u>203,875</u> |
| Total Liabilities and Stockholder's Equity | <u>\$ 208,634</u> |

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

PANATTONI SECURITIES, INC.

STATEMENT OF INCOME
For the Year Ended December 31, 2005

| | |
|------------------------------|------------|
| Revenue: | |
| Fees and commissions | \$ 317,675 |
| Other income | 214 |
| | <hr/> |
| Total revenue | 317,889 |
| | <hr/> |
| Expenses: | |
| Conferences and training | 2,548 |
| Consulting | 45,591 |
| Copy and fax charges | 543 |
| Depreciation | 2,367 |
| Dues and subscriptions | 7,170 |
| Health insurance | 3,320 |
| Insurance - fidelity bond | 361 |
| Interest | 13 |
| Legal and accounting | 2,370 |
| Licenses and permits | 8,600 |
| Office supplies and expenses | 1,384 |
| Organization costs | 2,902 |
| Other expenses | 54 |
| Outside services | 6,039 |
| Payroll taxes and service | 8,208 |
| Postage | 2,466 |
| Rent | 12,000 |
| Salaries and wages | 89,167 |
| Software and IT management | 2,511 |
| Telephone | 6,227 |
| Travel and meals | 9,030 |
| | <hr/> |
| Total expenses | 212,871 |
| | <hr/> |
| Net income | \$ 105,018 |
| | <hr/> |

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

PANATTONI SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2005

| | Common Stock | | Contributed Capital | Accumulated Deficit | Total Stockholder's Equity |
|------------------------------|--------------|------------------|------------------------|------------------------|----------------------------------|
| | Shares | Amount | | | |
| Balance, December 31, 2004 | 1,000 | \$ 10,000 | \$ 10,000 | \$ (20,000) | \$ - |
| Capital contributions | - | - | 200,000 | - | 200,000 |
| Distributions to stockholder | - | - | - | (101,143) | (101,143) |
| Net income | - | - | - | 105,018 | 105,018 |
| Balance, December 31, 2005 | <u>1,000</u> | <u>\$ 10,000</u> | <u>\$ 210,000</u> | <u>\$ (16,125)</u> | <u>\$ 203,875</u> |

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

PANATTONI SECURITIES, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

| | |
|---|------------|
| Cash Flows from Operating Activities: | |
| Cash received from customers | \$ 254,139 |
| Cash paid to vendors and employees | (210,026) |
| Income taxes paid | (800) |
| | <hr/> |
| Net cash provided by operating activities | 43,313 |
| | <hr/> |
| Cash Flows from Investing Activities: | |
| Purchase of property and equipment | (15,945) |
| | <hr/> |
| Cash Flows from Financing Activities: | |
| Additional paid-in capital | 200,000 |
| Distributions to stockholder | (101,143) |
| | <hr/> |
| Net cash provided by financing activities | 98,857 |
| | <hr/> |
| Net increase in cash | 126,225 |
| Cash, beginning of year | - |
| | <hr/> |
| Cash, end of year | \$ 126,225 |
| | <hr/> |
| Reconciliation of Net Income to Net | |
| <u>Cash Provided by Operating Activities:</u> | |
| Net income | \$ 105,018 |
| Adjustments to reconcile net income to | |
| net cash provided by operating activities: | |
| Depreciation | 2,367 |
| Increase in accounts receivable | (63,750) |
| Increase in prepaid expenses | (5,081) |
| Increase in accounts payable | 4,759 |
| | <hr/> |
| Net cash provided by operating activities | \$ 43,313 |
| | <hr/> |

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

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 1: ORGANIZATION AND NATURE OF BUSINESS

Panattoni Securities, Inc., (the Company) was incorporated on July 12, 2005 in the State of California. The Company is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the National Association of Securities Dealers (NASD). The Company has been formed to assist Panattoni Development Company, LLC (PDC), a California limited liability company, in the private placement of equity in real estate assets to be developed, owned, operated and sold by PDC. These private placement offerings are exempt from registration pursuant to Regulation D promulgated under the Securities Act of 1933. The Company does not engage in the underwriting of securities, retail brokerage, or securities custodial services.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Accounts Receivable

Management believes that all accounts receivable as of December 31, 2005 were fully collectible; therefore, no allowance is recorded.

Property and Equipment

Property and equipment is stated at historical cost, and the Company provides for depreciation over the estimated useful lives of the assets using the accelerated double declining balance method. The estimated lives of these assets range from 5 to 7 years.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments, which extend the useful lives of assets, are capitalized.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S Corporation - Income Tax Status

The Company has elected S Corporation status for federal and state income tax purposes under Internal Revenue Code Section 1362 and California Revenue and Taxation Code Section 23801, respectively, whereby all items of income and expense flow through to the individual stockholders. The Company is, however, subject to the greater of a minimum state franchise tax or a 1 ½% state income tax.

Estimates

The presentation 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 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.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2005 is summarized as follows:

| | |
|--------------------------------|------------------|
| Office furniture and equipment | \$ 15,945 |
| Less accumulated depreciation | <u>2,367</u> |
| Property and equipment, net | <u>\$ 13,578</u> |

NOTE 4: OPERATING LEASE COMMITMENTS

On July 1, 2004, the Company entered into an agreement to sublease office space from Panattoni Law Firm, a California corporation, under the control of a common stockholder. The terms of the agreement provided for a lease term commencing July 1, 2005 and terminating June 30, 2006 at a monthly rent of \$2,000. Total rent expense for the year ended December 31, 2005 was \$12,000. Future commitment under the remaining portion of the lease for the year ending December 31, 2006 totals \$12,000.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

NOTE 5: REVENUE SOURCE CONCENTRATION

The Company exclusively sells securities for real estate assets developed, owned, operated, and sold by Panattoni Development Company, LLC (PDC). All of the Company's business is obtained through referrals from PDC. Thus, the Company's revenue is dependent on continued referrals and real estate projects from PDC.

SUPPLEMENTARY INFORMATION

PANATTONI SECURITIES, INC.

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

December 31, 2005

| | | |
|---|------------|-------------------|
| Net capital requirement, the greater of: | | \$ 5,000 |
| 1/8 of aggregate indebtedness | \$ 595 | |
| Minimum dollar requirement | \$ 5,000 | |
| Net capital | | <u>121,466</u> |
| Excess net capital | | <u>\$ 116,466</u> |
| Aggregate indebtedness | \$ 4,759 | |
| Excess net capital at 100% (net capital, less 10% aggregated indebtedness) | \$ 120,990 | |
| Ratio of aggregate indebtedness to net capital | 3.92% | |
| Ratio of subordinated indebtedness to debt/equity total | N/A | |
| 120% of required net capital | | <u>\$ 6,000</u> |
| Net capital in excess of 120% of required net capital | | <u>\$ 115,466</u> |
| <hr/> | | |
| Total assets | | \$ 208,634 |
| Less: total liabilities | | <u>4,759</u> |
| Net worth | | <u>\$ 203,875</u> |
| Deductions from and/or charges to net worth: | | |
| Total non-allowable assets | \$ 82,409 | |
| Other deductions or charges | - | |
| Excess fidelity bond deductible | - | |
| Total deductions from and/or charges to net worth | | <u>82,409</u> |
| Net capital before haircuts on securities positions | | <u>\$ 121,466</u> |
| Haircuts on: | | |
| Certificates of deposits and commercial paper | \$ - | |
| U.S. and Canadian government obligations | - | |
| State and municipal government obligations | - | |
| Corporate obligations | - | |
| Stocks and warrants | - | |
| Options | - | |
| Arbitrage | - | |
| Other securities | - | |
| Other positions | - | |
| Undue concentrations | - | |
| Total haircuts | | <u>-</u> |
| Net capital | | <u>\$ 121,466</u> |

PANATTONI SECURITIES, INC.

SCHEDULE I
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE
 SECURITIES AND EXCHANGE COMMISSION (CONTINUED)

December 31, 2005

| | |
|------------------------------------|----------------------|
| Non-allowable assets: | |
| Accounts receivable | \$ 63,750 |
| Deposits | 3,326 |
| Prepaid expenses | 1,755 |
| Property and equipment, net | <u>13,578</u> |
| Total non-allowable assets | <u>\$ 82,409</u> |
| Other deductions or charges: | |
| Fidelity bond deductible: | |
| Minimum net capital requirement | \$ 5,000 |
| Fidelity bond coverage requirement | \$ 6,000 |
| Fidelity bond deductible allowed * | \$ 5,000 |
| Fidelity bond deductible | \$ 5,000 |
| Excess fidelity bond deductible | \$ - |

** greater of (i) 10% of amount of coverage required or (ii) \$5,000

NOTES TO SCHEDULE I

There are no material differences between the amounts presented above and the amounts reported on the Company's unaudited Focus report as amended, as of December 31, 2005.

A computation for determination of reserve requirements pursuant to Rule 15c3-3 as specified by Rule 17a-5(d)(3) and information relating to possession or control of securities as specified by Rule 15c3-3 and Rule 17a-5(d)(3) were both omitted and are not required as the Company operates pursuant to the exemptive provisions of SEC Rule 15c3-3(k)(2)(i). The Company does not hold customer funds or securities.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
REQUIRED BY SEC RULE 17a - 5

To the Board of Directors
Panattoni Securities, Inc.
Sacramento, California

In planning and performing our audit of the financial statements of Panattoni Securities, Inc., (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 the 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), making the periodic computations of aggregated indebtedness (or aggregated debits) and net capital under Rule 17a-3(a)(11) and the reserve required by Rule 15c3-3(e).

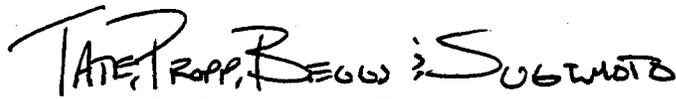
The management of the Company is responsible for establishing and maintaining an internal control system and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related 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 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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 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 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 brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.


An Accountancy Corporation

March 17, 2006
Sacramento, California