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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: PROEQUITIES, INC.

|                   |
|-------------------|
| OFFICIAL USE ONLY |
| FIRM I.D. NO.     |

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

2801 Highway 280 South

(No. and Street)

Birmingham, AL

35223

(City)

(State)

(Zip Code)

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

Milton C. Fritts

205-268-7582

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PRICEWATERHOUSE COOPERS

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

1901 Sixth Avenue, North

Birmingham, AL

35203

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

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

PROCESSED

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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.

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OATH OR AFFIRMATION

I, Michael J. Mungenast, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of ProEquities, 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:

Michael J. Mungenast
Signature
President
Title

Patricia Kay Nabors
Notary Public
MY COMMISSION EXPIRES FEBRUARY 21, 2010

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).

**ProEquities, Inc.**  
**Statement of Financial Condition**  
**December 31, 2005**

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**Assets**

|                                      |                      |
|--------------------------------------|----------------------|
| Cash and cash equivalents            | \$ 3,864,301         |
| Investments, at market value         | 12,104,350           |
| Receivables from brokers and dealers | 4,147,081            |
| Other assets                         | 1,151,394            |
| Deferred income taxes                | 2,241,087            |
|                                      | <u>\$ 23,508,213</u> |

**Liabilities and Stockholder's Equity**

|                                       |                   |
|---------------------------------------|-------------------|
| Commissions payable                   | \$ 3,784,390      |
| Securities sold but not yet purchased | 2,113,350         |
| Due to parent and affiliates          | 125,182           |
| Deferred compensation obligation      | 7,341,129         |
| Other accrued expenses                | 1,729,452         |
|                                       | <u>15,093,503</u> |

**Stockholder's equity**

|   |                      |
|---|----------------------|
| Common stock, \$1 par value; 250,000 shares<br>authorized, 114,408 issued and outstanding | 114,408              |
| Additional paid-in capital  | 10,466,157           |
| Accumulated deficit   | (2,165,855)          |
|   | <u>8,414,710</u>     |
|   | <u>\$ 23,508,213</u> |

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