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

SEC FILE NUMBER
8-44100

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 01/01/06 AND ENDING 12/31/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: PRIME PACIFIC Financial

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
2481 Calle Villada  
(No. and Street)

Quarte CA 91010  
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
PAUL David M  
(Name - if individual, state last, first, middle name)

1201 Santa Anita Arcadio CA 91006  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

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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**PROCESSED**  
MAR 21 2007

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FINANCIAL

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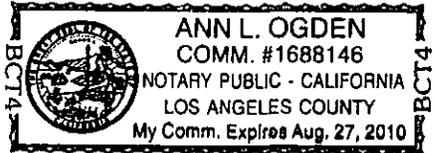
OATH OR AFFIRMATION

I, Susy K CHIA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of PRIME PACIFIC FINANCIAL CORP, as of FEB 22, 2007, 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:

STATE OF California  
COUNTY OF Los Angeles

[Signature]  
Signature  
PRESIDENT  
Title

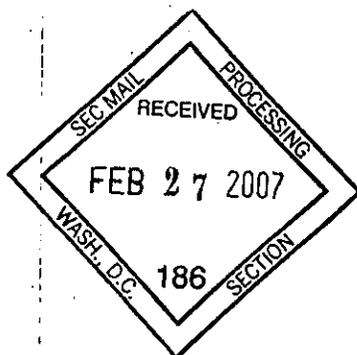
[Signature]  
Notary Public



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).



**Prime Pacific Financial Corp.**

Financial Statements

Supplementary Information

December 31, 2006

*Presented by:*

*David Pang*  
*Certified Public Accountant*

**David Pang**  
**Certified Public Accountant**  
10507 Valley Boulevard, Suite 858  
El Monte, California 91731  
(626) 453-0353

## INDEPENDENT AUDITOR'S REPORT

Board of Directors and Stockholder  
Prime Pacific Financial Corp.

I have audited the accompanying balance sheet of Prime Pacific Financial Corp. as of December 31, 2006, and related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. 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 statement. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Prime Pacific Financial Corp. as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

My examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but it is supplementary information required by the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*David Pang*

David Pang  
Certified Public Accountant

El Monte, California  
February 20, 2007

PRIME PACIFIC FINANCIAL CORP.  
BALANCE SHEET  
AS OF DECEMBER 31, 2006

ASSETS

Cash in bank	2,675
Deposits with clearing organizations	15,073
Temporary investments in securities	
Receivable from brokers and dealers	12,171
Furniture, equipment and leasehold improvements, at cost, less accumulated depreciation and amortization	-
Other assets	65,398
<b>TOTAL ASSETS</b>	<u><u>95,317</u></u>

LIABILITIES AND STOCKHOLDER'S INVESTMENT

Commissions payable	1,009
<b>TOTAL LIABILITIES</b>	<u>1,009</u>
Stockholder's investment:	
Common stock	135,000
Less: Treasury stock at cost	(110,100)
Retained earnings	69,408
<b>TOTAL STOCKHOLDER'S INVESTMENT</b>	<u>94,308</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S INVESTMENT</b>	<u><u>95,317</u></u>

See accompanying notes and Accountant's report.

PRIME PACIFIC FINANCIAL CORP.  
STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006

REVENUES:

Commissions	55,029
Interest	6,598
	<u>61,627</u>

EXPENSES:

Commissions and floor brokerage	37,959
Office expenses	1,442
Taxes, licenses and regulatory fees	573
Other operating expenses	3,406
	<u>43,380</u>

LOSS BEFORE INCOME TAX PROVISION 18,247

STATE INCOME TAX PROVISION 800

NET INCOME 17,447

RETAINED EARNINGS, beginning of year 51,961

Add Income/(Loss) 17,447

Less Distributions -

RETAINED EARNINGS, end of year 69,408

See accompanying notes and Accountant's report.

PRIME PACIFIC FINANCIAL CORP.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	17,447
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	-
Increase in clearing deposits	(570)
Increase in commissions receivable	(10,803)
Increase in commissions payable	129
Increase in other assets	(10,301)

NET CASH PROVIDED BY OPERATING ACTIVITIES (4,098)

CASH AT BEGINNING OF YEAR 6,773

CASH AT END OF YEAR 2,675

See accompanying notes and Accountant's report.

PRIME PACIFIC FINANCIAL CORP.  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
AS OF DECEMBER 31, 2006

	CAPITAL STOCK	RETAINED EARNINGS
Balance January 1, 2006	135,000	51,961
Additional Issuance of Common Stock		
Treasury Stock at cost	(110,100)	
Net Income		17,447
Balance December 31, 2006	<u>24,900</u>	<u>69,408</u>

See accompanying notes and Accountant's report.

PRIME PACIFIC FINANCIAL CORP.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Prime Pacific Financial Corp. (PPI) is a fully disclosed broker/dealer approved by the NASD. The company clears all transactions through broker/dealer Wedbush Morgan Securities (Wedbush) on a fully disclosed basis. Wedbush confirms directly to PPI customers and is responsible for holding funds and securities, carrying customer accounts and clearing securities transactions.

Depreciation

For financial reporting purposes, depreciation of property and equipment is provided on the declining balance method.

SUPPLEMENTAL INFORMATION PURSUANT TO RULE 15c3-1 & 15c3-3  
OF THE SECURITIES AND EXCHANGE ACT OF 1934  
AS OF DECEMBER 31, 2006

PRIME PACIFIC FINANCIAL CORP.  
 COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1  
 OF THE SECURITIES AND EXCHANGE COMMISSION  
 AS OF DECEMBER 31, 2006

NET CAPITAL:

Total stockholder's investment	94,308
Less: Non-allowable assets:	
Furniture, equipment and leasehold improvements	-
Other assets	(65,398)
	(65,398)
Net Capital	28,910

AGGREGATED INDEBTEDNESS

1,009

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:

Minimum net capital required	5,000
	5,000
Excess net capital	23,910
	23,910
Excess net capital at 1000%	28,809
	28,809
Ratio: Aggregated indebtedness to net capital	3.00
	3.00

RECONCILIATION WITH COMPANY'S COMPUTATION:

Net capital, as reported in Company's part IIA	
(unaudited) FOCUS report	28,910
Net audit adjustments	-
Net capital per above	28,910
	28,910
Aggregate indebtedness, as reported in Company's part IIA	
(unaudited) FOCUS report	1,009
Net audit adjustments	-
Aggregate indebtedness per above	1,009
	1,009

There is no material difference existed of the audited Computation of Net Capital Under Rule 15c3-1 and the broker-dealer's corresponding Unaudited FOCUS Report Part IIA.

PRIME PACIFIC FINANCIAL CORP.  
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS UNDER  
RULE 15c3-3 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31, 2006

The Company (PPI) clears all transactions through broker/dealer Wedbush Morgan Securities (Wedbush) on a fully disclosed basis. Wedbush confirms directly to PPI customers and is responsible for holding funds and securities, carrying customer accounts and clearing securities transactions.

Computation of Reserve Requirements Pursuant to Rule 15c3-3 :

Not applicable because the company is exempt under Rule 15c3-3 section k(2)(ii).

PRIME PACIFIC FINANCIAL CORP.  
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS  
UNDER RULE 15c3-3 OF  
THE SECURITIES AND EXCHANGE COMMISSION  
AS OF DECEMBER 31 2006

Information Relating to Possession or Control Requirements under rule 15c3-3

Not applicable because the company is exempt under Rule 15c3-3 section (k)(2)(ii)  
"Special Account for the Exclusive Benefit of Customers"

SUPPLEMENTAL INFORMATION PURSUANT TO RULE 17a-5 OF  
THE SECURITIES AND EXCHANGE ACT OF 1934  
AS OF DECEMBER 31, 2006

INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL ACCOUNTING CONTROL  
REQUIRED BY SEC. RULE 17a-5

Board of Directors and Stockholder  
Prime Pacific Financial Corp.

I have examined the financial statements of Prime Pacific Financial Corp. for the year ended December 31, 2006, and have issued my report thereon dated February 20, 2007. As part of my examination, I made a study and evaluation of the Company's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation, which included obtaining an understanding of the accounting system, was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Also, as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission, I have made a study of the practices and procedures followed by Prime Pacific Financial Corp. that I considered relevant to the objectives stated in Rule 17a-5(g)(1) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. I did not review the practices and procedures followed by the company in making quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences requires by Rule 17a-13 or 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, 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 a system of internal accounting 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 control procedures 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 Commission's above-mentioned objectives. The objectives of a system 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 accordance with generally accepted accounting principles. Rules 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal accounting control procedures or the practices and procedures referred to above, errors or irregularities may nevertheless 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 study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system as a whole. However, my study and evaluation disclosed no condition that I believed to be a material weakness.

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, 2006, to meet the Commission's objectives.

This report is intended solely for the use of management and the Securities and Exchange Commission and should not be used for any other purpose.

*David Pang*

David Pang  
Certified Public Accountant

El Monte, California  
February 20, 2007

END