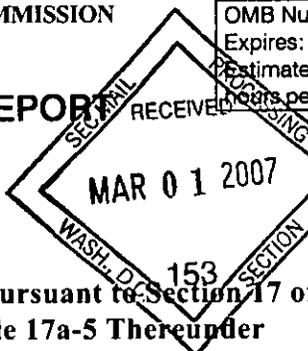




UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

OMB APPROVAL	
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**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 01/01/2006 AND ENDING 12/31/2006
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **Panattoni Securities, Inc.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
8401 Jackson Road
(No. and Street)

Sacramento **California** **95826**
(City) (State) (Zip Code)

OFFICIAL USE ONLY
FIRM I.D. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Suzanne Anastasio **(916) 290-9818**
(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:

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

PROCESSED
APR 04 2007
THOMSON FINANCIAL

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*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.

3/30/07

OATH OR AFFIRMATION

I, Suzanne Anastasio, 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, 2006, 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.
- (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.

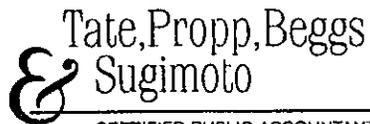
**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

PANATTONI SECURITIES, INC.
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
December 31, 2006 and 2005

PANATTONI SECURITIES, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS	1
FINANCIAL STATEMENTS	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 8
SUPPLEMENTARY INFORMATION	
Schedule I: Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission	9 - 10
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL REQUIRED BY SEC RULE 17a-5	11 - 12



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT
ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying statements of financial condition of Panattoni Securities, Inc., as of December 31, 2006 and 2005, and the related statements of income, changes in stockholder's equity and cash flows for the years 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 audits.

We conducted our audits 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 audits provide 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, 2006 and 2005, and the results of its operations and its cash flows for the years 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

February 21, 2007
Sacramento, California
A Professional Corporation
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Sacramento, CA 95815-4614

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PANATTONI SECURITIES, INC.

STATEMENTS OF FINANCIAL CONDITION
December 31, 2006 and 2005

ASSETS

Current assets:	<u>2006</u>	<u>2005</u>
Cash	\$ 288,938	\$ 126,225
Accounts receivable	70,185	63,750
Deposits	3,326	-
Prepaid expenses	<u>1,755</u>	<u>5,081</u>
Total current assets	364,204	195,056
Property and equipment, net	<u>9,557</u>	<u>13,578</u>
Total Assets	<u>\$ 373,761</u>	<u>\$ 208,634</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities:		
Accounts payable	<u>\$ 96,790</u>	<u>\$ 4,759</u>
Stockholder's Equity:		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding	10,000	10,000
Additional paid-in capital	210,000	210,000
Retained earnings (deficit)	<u>56,971</u>	<u>(16,125)</u>
Total stockholder's equity	<u>276,971</u>	<u>203,875</u>
Total Liabilities and Stockholder's Equity	<u>\$ 373,761</u>	<u>\$ 208,634</u>

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

PANATTONI SECURITIES, INC.

STATEMENTS OF INCOME
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Revenue:		
Fees and commissions	\$ 745,432	\$ 317,675
Other income	-	214
	<u>745,432</u>	<u>317,889</u>
Expenses:		
Conferences and training	2,873	2,548
Consulting	54,297	45,591
Copy and fax charge	-	543
Depreciation	4,021	2,367
Dues and subscriptions	19,059	7,170
Health insurance	7,547	3,320
Insurance - fidelity bond	368	361
Insurance	32,451	13
Legal and accounting	48,404	2,370
License and permits	-	8,600
Office supplies and expenses	2,977	1,384
Organization costs	-	2,902
Other expenses	1,470	54
Outside services	24,888	6,039
Payroll taxes and service	14,029	8,208
Postage	3,911	2,466
Rent	18,000	12,000
Salaries and wages	249,667	89,167
Software and IT management	1,055	2,511
Taxes	825	-
Telephone	5,291	6,227
Travel and meals	11,203	9,030
	<u>502,336</u>	<u>212,871</u>
Total expenses		
Net income	<u>\$ 243,096</u>	<u>\$ 105,018</u>

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

PANATTONI SECURITIES, INC.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2006 and 2005

	<u>Common Stock</u>		<u>Paid-In Capital</u>	<u>Retained Earnings (Deficit)</u>	<u>Total Stockholder's Equity</u>
	<u>Shares</u>	<u>Amount</u>			
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	1,000	10,000	210,000	(16,125)	203,875
Capital contributions	-	-	-	-	-
Distributions to stockholder	-	-	-	(170,000)	(170,000)
Net income	-	-	-	243,096	243,096
Balance, December 31, 2006	<u>1,000</u>	<u>\$ 10,000</u>	<u>\$ 210,000</u>	<u>\$ 56,971</u>	<u>\$ 276,971</u>

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

PANATTONI SECURITIES, INC.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:		
Cash received from customers	\$ 738,997	\$ 254,139
Cash paid to vendors and employees	(405,484)	(210,026)
Income taxes paid	(800)	(800)
	<u>332,713</u>	<u>43,313</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(15,945)
Cash Flows from Financing Activities:		
Additional paid-in capital	-	200,000
Distributions to stockholder	(170,000)	(101,143)
	<u>(170,000)</u>	<u>98,857</u>
Net cash provided by (used in) financing activities		
	<u>162,713</u>	<u>126,225</u>
Net increase in cash		
	<u>126,225</u>	<u>-</u>
Cash, beginning of year		
	<u>\$ 288,938</u>	<u>\$ 126,225</u>
Cash, end of year		
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Net income	\$ 243,096	\$ 105,018
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,021	2,367
Increase in accounts receivable	(6,435)	(63,750)
Increase in prepaid expenses	-	(5,081)
Increase in accounts payable	92,031	4,759
	<u>332,713</u>	<u>43,313</u>
Net cash provided by operating activities	<u>\$ 332,713</u>	<u>\$ 43,313</u>

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

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 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, 2006 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, 2006 and 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, 2006 and 2005 is summarized as follows:

	2006	2005
Office furniture and equipment	\$ 15,945	\$ 15,945
Less accumulated depreciation	6,388	2,367
Property and equipment, net	<u>\$ 9,557</u>	<u>\$ 13,578</u>

NOTE 4: OPERATING LEASE

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, 2006 and 2005 were \$18,000 and \$12,000, respectively.

PANATTONI SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2006 and 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

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PANATTONI SECURITIES, INC.

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

December 31, 2006

Net capital requirement, the greater of:		\$	5,000
1/8 of aggregate indebtedness	\$	12,099	
Minimum dollar requirement		5,000	
Net capital			<u>192,148</u>
Excess net capital			<u>\$ 180,049</u>
Aggregate indebtedness		96,790	
Excess net capital at 100% (net capital, less 10% aggregated indebtedness)	\$	182,469	
Ratio of aggregate indebtedness to net capital		53.04%	
Ratio of subordinated indebtedness to debt/equity total		N/A	
120% of required net capital		\$	14,519
Net capital in excess of 120% of required net capital		\$	<u>177,629</u>
Total assets		\$	373,761
Less: total liabilities			<u>96,790</u>
Net worth		\$	<u>276,971</u>
Deductions from and/or charges to net worth:			
Total non-allowable assets	\$	84,823	
Other deductions or charges		-	
Excess fidelity bond deductible		-	
Total deductions from and/or charges to net worth			<u>84,823</u>
Net capital before haircuts on securities positions		\$	<u>192,148</u>
Haircuts on:			
Certificates of deposit 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>192,148</u>

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PANATTONI SECURITIES, INC.

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

December 31, 2006

Non-allowable assets:	
Accounts receivable	\$ 70,185
Deposits	3,326
Prepaid expenses	1,755
Property and equipment, net	<u>9,557</u>
Total non-allowable assets	<u>\$ 84,823</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	\$ -

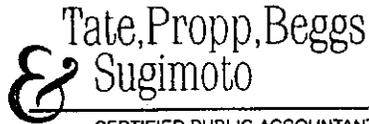
* greater of (i) 10% of amount of coverage required or (ii) \$5,000

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, 2006.

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.

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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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, 2006 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 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 (or aggregate debits) and net capital under Rule 17a-3(a)(11) and 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 customers 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 and recordation of differences required by Rule 17a-13
2. 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
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customer as required by Rule 15c3-3

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 the preparation of financial

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To the Board of Directors
Panattoni Securities, Inc.
Page 2

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 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 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, 2006 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

February 21, 2007
Sacramento, California

END

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