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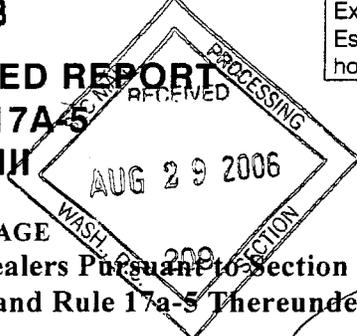
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MISSION

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



SEC FILE NUMBER
8. 50292

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 July 1, 2005 AND ENDING June 30, 2006  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Southcoast Investment Group, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

5599 San Felipe, Suite 110  
(No. and Street)  
Houston Texas 77056  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
Robert Wilson (281) 770-9270  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

Longaker, James A.  
(Name - if individual, state last, first, middle name)  
2002 Woodland Valley Drive Kingwood Texas 77339  
(Address) (City) (State) (Zip Code)

**CHECK ONE:**

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

**PROCESSED**  
**SEP 15 2006**  
**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)

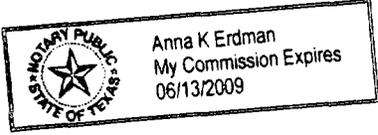
*Handwritten signature/initials*

OATH OR AFFIRMATION

I, Robert J. Wilson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Southcoast Investment Group, Inc., as of June 30, 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:

Robert J. Wilson
Signature
Chief Financial Officer
Title

Anna K Erdman
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.
(o) Independent Auditors' Report on Internal Control

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

- (p) Statement of Cash Flows

**JAMES A. LONGAKER**  
CERTIFIED PUBLIC ACCOUNTANT

**SOUTHCOAST INVESTMENT GROUP, INC.**

**FINANCIAL STATEMENTS**

**REPORT PURSUANT TO RULE 17A – 5(d)**

**JUNE 30, 2006**

2002 WOODLAND VALLEY • KINGWOOD, TX • 77339-3365  
CELL: 713-818-1892 • PHONE: 281-358-2855 • FAX: 501-421-2718

## INDEPENDENT AUDITORS' REPORT

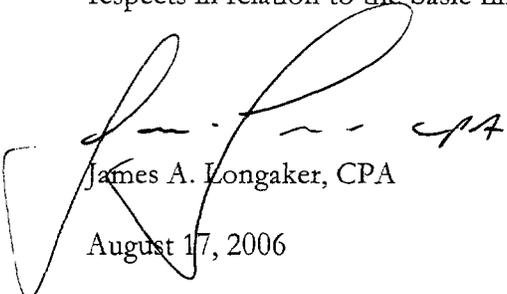
Board of Directors and Stockholders  
Southcoast Investment Group, Inc.  
Houston, Texas

I have audited the accompanying statement of financial condition of Southcoast Investment Group, Inc. as of June 30, 2006 and the related statement of income, changes in stockholders' equity 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 have conducted my audit in accordance with auditing standards generally accepted in the United States of America. 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 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. 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 Southcoast Investment Group, Inc. as of June 30, 2006, 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.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on Pages 8 and 9 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 my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



James A. Longaker, CPA

August 17, 2006

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Southcoast Investment Group, Inc.

STATEMENT OF FINANCIAL CONDITION

JUNE 30, 2006

ASSETS

Current assets:	
Cash in bank	4,307
Commissions receivable	31,107
Prepaid expenses	<u>1,125</u>
Total assets	<u>\$ 36,539</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accrued liabilities	1,000
Equity	
Common Stock, \$1 par value per share; authorized 100,000 shares; issued and outstanding 10,000 shares	10,000
Paid in Capital	54,430
Retained earnings	<u>(28,891)</u>
Total stockholders' equity	<u>35,539</u>
Total liabilities and stockholders' equity	<u>\$ 36,539</u>

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

Southcoast Investment Group, Inc.

STATEMENT OF INCOME

YEAR ENDED JUNE 30, 2006

Revenues:	
Commission income	\$ 269,296
Expenses	
Commission expenses	181,408
Professional fees	19,101
Other operating expenses	84,115
Total expenses	<u>284,624</u>
Loss from operations	(15,328)
Other expense	
Interest Expense	(159)
Loss before provision of income taxes	(15,487)
Income taxes benefit (expense)	<u>-</u>
Net loss	<u><u>(15,487)</u></u>

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

Southcoast Investment Group, Inc.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

YEAR ENDED JUNE 30, 2006

	<u>Common Stock</u>	<u>Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at June 30, 2005	\$ 10,000	\$ 54,430	\$ (13,404)	\$ 51,026
Add capital contributions	-	-	-	-
Net loss for the year	-	-	(15,487)	(15,487)
Balance at June 30, 2006	<u>\$ 10,000</u>	<u>\$ 54,430</u>	<u>\$ (28,891)</u>	<u>\$ 35,539</u>

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

Southcoast Investment Group, Inc.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2006

**Cash flows from operating activities:**

Net Loss	\$ (15,487)
Adjustments to reconcile net income to net cash Provided by (used for) operating activities:	
Increase in commissions receivable	12,211
Increase in prepaid expense	<u>275</u>
Net cash provided (used) in operating activities	<u>(3,001)</u>

**Cash flows from financing activities:**

Increase in paid in capital	<u>-</u>
Net cash provided (used) in financing activities	<u>-</u>

Net decrease in cash	(3,001)
Cash at beginning of year	<u>7,308</u>
Cash at end of year	<u><u>\$ 4,307</u></u>

**Supplemental disclosures**

Cash paid during the period for:

Interest	<u><u>\$ 159</u></u>
Income taxes	<u><u>\$ -</u></u>

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

SOUTHCOAST INVESTMENT GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

A. Summary Of Significant Accounting Policies

Nature of Business

Southcoast Investment Group, Inc. (the "Company") is a Texas Corporation and is a registered broker-dealer maintaining its only office in Houston, Texas. It is subject to a minimum net capital requirement of \$5,000 under SEC Rule 15c3-1, operated pursuant to the (k)(2)(ii) exemptive provision of SEC Rule 15c3-3, and did not hold customer funds or securities. The Company has been approved to conduct business on a fully disclosed basis through a clearing agent.

Method of Accounting

The Company maintains its books and records on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents at June 30, 2006.

Federal Income Taxes

Income tax expense includes federal taxes currently payable. Deferred taxes are accounted for under Financial Accounting Standard No. 109 (FAS 109), which uses an asset and liability approach in recognizing timing differences. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of such differences. Deferred income taxes arise primarily as a result of the use of accrual method for financial statement purpose and the cash basis for tax purposes.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

**B. Provision For Income Taxes**

As of June 30, 2006, the Company has net operation loss carry forwards available to offset future income taxes totaling \$ 57,139. If not used, these credits will expire in 2021.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which is uncertain. According a valuation allowance, in an amount equal to the net deferred tax asset as of June 30, 2006 has been established to reflect these uncertainties.

Utilization of net operating loss carry forwards may be subject to a substantial annual limitation due to ownership change limitations provided by the Internal Revenue Code of 1986. The annual limitation may result in the expiration of the net operating loss carry forwards before utilization.

**Net Capital**

The Company is subject to a \$5,000 minimum capital requirement under SEC Rule 15c3-1, which requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. Net capital and the related net capital ratio fluctuate on a daily basis; however, as of June 30, 2006, the net capital was \$34,414 which exceeded the required minimum capital by \$29,414 and the aggregate indebtedness (A.I.) to net capital ratio was .03 to 1.

Southcoast Investment Group, Inc.

COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15C

JUNE 30, 2006

Total equity from statement of financial condition	\$	35,539
Less non-allowable assets:		
Statement of Financial Condition (Notes B and C)		<u>1,125</u>
Net Capital	\$	<u><u>34,414</u></u>

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Minimum net capital required (6-2/3% of aggregate indebtedness)	\$	<u><u>66</u></u>
Minimum dollar net capital required	\$	<u><u>5,000</u></u>
Net capital requirement (greater of above two figures)	\$	<u><u>5,000</u></u>
Excess net capital	\$	<u><u>29,414</u></u>

COMPUTATION OF RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL

Total liabilities (per statement of financial condition)	\$	<u><u>1,000</u></u>
Ratio of aggregate indebtedness to net capital		<u><u>3%</u></u>
Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)		<u><u>0%</u></u>

**Reconciliation with Company's Computation**

The above agrees with the Company's Computation (included in Part II of Form X-17a-5)

# JAMES A. LONGAKER

CERTIFIED PUBLIC ACCOUNTANT

Board of Directors and Stockholders  
Southcoast Investment Group, Inc.  
Houston, Texas

In planning and performing my audit of the financial statements and supplemental schedules of Southcoast Investment Group, Inc. for the year ended June 30, 2006, I considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures used by the Company, including tests of such practices and procedures that I 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 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, I 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 Regulations T of the Board of Governors of the Federal Reserve System.

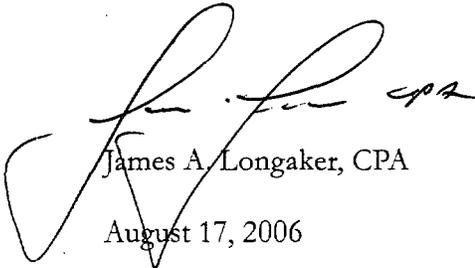
The management of the Company is responsible for establishing and maintaining a system of internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and 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 SEC's above-mentioned objectives. Two of the objectives of an internal control structure 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 accordance 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 any internal control structure or the practices and procedures referred to above, errors or irregularities 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.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure 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 structure elements does not reduce to a relatively low level the risk that errors or irregularities 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, I noted no matters involving the internal control structure, including procedures for safeguarding securities that I consider to be material weaknesses as defined above.

I 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 my study, I believe that the Company's practices and procedures were adequate at June 30, 2006, to meet the SEC's objectives.

This report is intended solely for the use of the partners, management, the SEC, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purpose.



James A. Longaker, CPA  
August 17, 2006