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Washington, D.C. 20549

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

SEC FILE NUMBER  
8-46943

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 01/01/2004 AND ENDING 12/31/2004  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: CASCADE INVESTMENT GROUP, INC.

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

90 South Cascade Ave., Suite 1250

(No. and Street)

Colorado Springs, CO 80903

(City)

(State)

(Zip Code)

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

Craig S. Ralston, President

719-632-0818

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

**PROCESSED**

**OCT 06 2006**

**THOMSON  
FINANCIAL**

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

Stockman Kast Ryan & Co LLP

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

102 N. Cascade Ave., Suite 400, Colorado Springs, CO

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

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

SECURITIES AND EXCHANGE COMMISSION  
**RECEIVED**  
AUG 22 2006  
BRANCH OF REGISTRATIONS  
AND  
02 EXAMINATIONS

**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)

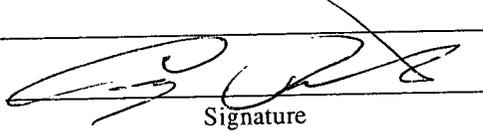
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OATH OR AFFIRMATION

I, Craig S. Ralston, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cascade Investment Group, Inc., as of December 31, 2004, 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

President

Title



Notary Public My commission expires 12/10/2008

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).

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Cascade Investment Group, Inc.

We have audited the accompanying statement of financial condition of Cascade Investment Group, Inc. (the Company) as of December 31, 2004 and the related statements 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. 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 Cascade Investment Group, Inc. as of December 31, 2004, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II 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.

*Stockman Kast Ryan & Co., LLP*

January 20, 2005

# CASCADE INVESTMENT GROUP, INC.

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2004

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### ASSETS

#### CURRENT ASSETS

Cash and cash equivalents	\$ 273,745
Receivable from clearing organization	39,300
Income taxes receivable	12,715
Prepaid expenses	<u>15,172</u>

Total current assets 340,932

CASH HELD ON DEPOSIT WITH CLEARING BROKER 25,000

FURNITURE AND EQUIPMENT, net of accumulated depreciation  
of \$48,915 37,194

OTHER ASSETS 7,210

TOTAL \$ 410,336

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES

Payable to brokers	\$ 107,463
Accounts payable and accrued expenses	<u>21,596</u>

Total current liabilities 129,059

#### STOCKHOLDERS' EQUITY

Common stock, no par value, 50,000 shares authorized, 125 shares issued and outstanding	62,062
Retained earnings	<u>219,215</u>

Total stockholders' equity 281,277

TOTAL \$ 410,336

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See notes to financial statements.

# CASCADE INVESTMENT GROUP, INC.

## STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2004

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REVENUES	
Commissions and asset management fees	\$ 2,254,498
Interest	<u>9,225</u>
TOTAL	<u>2,263,723</u>
EXPENSES	
Commissions	1,169,123
Employee compensation and benefits	418,368
Clearance fees	195,816
Occupancy	112,698
Communications and data processing	67,347
Other	<u>275,153</u>
TOTAL	<u>2,238,505</u>
INCOME BEFORE INCOME TAX PROVISION	25,218
INCOME TAX PROVISION	<u>6,000</u>
NET INCOME	<u>\$ 19,218</u>

See notes to financial statements.

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# CASCADE INVESTMENT GROUP, INC.

## STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2004

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	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>		
BALANCE – January 1, 2004	185	\$ 92,330	\$ 320,582	\$ 412,912
Repurchase of common stock	(60)	(30,268)	(120,585)	(150,853)
NET INCOME	_____	_____	<u>19,218</u>	<u>19,218</u>
BALANCE — December 31, 2004	<u>125</u>	<u>\$ 62,062</u>	<u>\$ 219,215</u>	<u>\$ 281,277</u>

See notes to financial statements.

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# CASCADE INVESTMENT GROUP, INC.

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2004

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### OPERATING ACTIVITIES

Net income	\$ 19,218
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	9,147
Changes in operating assets and liabilities:	
Receivables	(34,611)
Income taxes receivable	(4,132)
Prepaid expenses	23,984
Payable to brokers	29,487
Accounts payable and accrued expenses	<u>18,728</u>
Net cash provided by operating activities	61,821

### INVESTING ACTIVITIES —

Net cash used for purchases of furniture and equipment	(23,793)
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### FINANCING ACTIVITIES —

Repurchase of stock	<u>(150,853)</u>
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NET INCREASE IN CASH AND CASH EQUIVALENTS	(112,825)
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CASH AND CASH EQUIVALENTS, January 1, 2004	<u>386,570</u>
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CASH AND CASH EQUIVALENTS, December 31, 2004	<u>\$ 273,745</u>
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### SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for income taxes	<u>\$ 16,163</u>
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See notes to financial statements.

# CASCADE INVESTMENT GROUP, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 1. SIGNIFICANT ACCOUNTING POLICIES

**General** — Cascade Investment Group, Inc. (the Company), a Colorado corporation, 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 is an “introducing firm” and is prohibited from receiving funds or securities from its customers, rather, the company utilizes a clearing broker to perform the custodial functions. The Company maintains one office in Colorado Springs, Colorado.

**Commissions** — Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur.

**Asset Management Fees** — Asset management fees are received quarterly but are recognized as earned on a pro rata basis over the term of the contract.

**Furniture and Equipment** — Furniture and equipment are recorded at cost and are being depreciated over estimated useful lives of three to seven years using the straight-line method.

**Advertising** — The Company expenses advertising costs as incurred. Advertising expense for the year ended December 31, 2004 was \$19,746.

**Cash and Cash Equivalents** — For purposes of the statement of cash flows, the Company considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents. Cash and cash equivalents include money market mutual funds of \$129,085.

The Company maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Income Taxes** — The Company accounts for income taxes using the asset and liability method, under which deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. **CLEARING AGREEMENT**

The Company has an agreement with RBC Dain Correspondent Services, Inc. (Dain) under which Dain clears all securities transactions for the company's customers and also performs all "back room" functions for the Company. These functions include, among other things, executing customer orders as they are transmitted to Dain, preparing and mailing transaction confirmations and customer statements directly to the customers and performing all cashiering functions for customer accounts.

The Company receives commission and fee income from Dain based on the number and size of transactions. The Company pays all costs associated with transactions executed through Dain plus a "per transaction" fee based on the amount of business transacted during the month.

The agreement requires, and the Company maintains, a minimum cash deposit with Dain of \$25,000.

The Company currently transacts all of its brokerage business through Dain. Should Dain not fulfill its obligations under the agreement, the Company may be exposed to risk. The risk of default depends on Dain's ability to continue to perform under the agreement as well as the creditworthiness of Dain. It is the Company's policy to review, as necessary, the credit standing and financial viability of Dain.

3. **RETIREMENT PLAN**

The Company has a profit sharing plan, which is qualified under Section 401(k) of the Internal Revenue Code. The Company made contributions to the plan for the year ended December 31, 2004 of \$28,999.

4. **OPERATING LEASES**

The Company leases office space and equipment under operating leases that expire at various times through 2009. Future minimum lease payments under the leases are as follows:

2005	\$ 67,970
2006	70,024
2007	72,079
2008	74,134
2009	<u>31,246</u>
Total	<u>\$ 315,453</u>

Rental expense for the year ended December 31, 2004 was \$104,853.

5. **NET CAPITAL REQUIREMENTS**

The Company is subject to the SEC Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, as defined, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1). At December 31, 2004, the Company had net capital of \$202,406, which was \$152,406 in excess of its required net capital of \$50,000. The Company's net capital ratio was .64 to 1, the calculation of which is included within Supplemental Schedule I.

**CASCADE INVESTMENT GROUP, INC.**

**SUPPLEMENTAL SCHEDULES**

# CASCADE INVESTMENT GROUP, INC.

## SCHEDULE I — COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION DECEMBER 31, 2004

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Net Capital:	
Total stockholders' equity	\$ 281,277
Deduct non allowable assets:	
Furniture and equipment, net	37,194
Prepaid expenses	15,172
Income taxes receivable	12,715
Other assets	7,210
Other deductions or charges	4,000
Haircuts on money market accounts	<u>2,580</u>
Net capital	<u>\$ 202,406</u>
Aggregate indebtedness — items included in financial statements	<u>\$ 129,059</u>
Basic net capital requirement	<u>\$ 50,000</u>
Excess net capital	<u>\$ 152,406</u>
Ratio aggregate indebtedness to net capital	<u>.64</u>
Net capital as reported in Company's Part II (unaudited)	
FOCUS report as of December 31, 2004	<u>\$ 202,406</u>

**CASCADE INVESTMENT GROUP, INC.**

**SCHEDULE II — FOCUS FORM X-17A-5, PART III  
DECEMBER 31, 2004**

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Cascade Investment Group, Inc. does not hold funds or securities for, or owe money or securities to, customers. Consequently, the Company qualified for exemption from the provision of SEC Rule 15c-3(k)(2)(1) and Schedules II, III and IV of FOCUS Form X-17A-5, Part II.